

TOWN OF LOUISA, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TOWN OF LOUISA, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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TOWN OF LOUISA, VIRGINIA

TOWN COUNCIL

John Jerl Purcell, IV H.I. "Bud" Dulaney	R. Garland Nuckols, Mayor Jessica J. Lassiter, Vice Mayor	Sylvia Rigsby A. Daniel Carter
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GENERAL TOWN GOVERNMENT

Town Manager Treasurer/Town Clerk Chief of Police Town Attorney	Elizabeth Nelson Jessica M. Ellis Craig Buckley Jeffrey S. Gore
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TOWN OF LOUISA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Louisa
Louisa, 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 unit, and each major fund of Town of Louisa, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town'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 unit, and each major fund of Town of Louisa, Virginia as of June 30, 2022, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 13 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinions are not modified with respect to this matter.

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 Town of Louisa, 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 Town of Louisa, 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 opinion. 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 with *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 Town of Louisa, 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 Town of Louisa, 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 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 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.

Required Supplementary Information (Continued)

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Louisa, Virginia's basic financial statements. The other supplementary information is 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 other supplementary information if 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 section but does not include the basic financial statements and our auditor's 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 September 22, 2022, on our consideration of Town of Louisa, 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 Town of Louisa, 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 Town of Louisa, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
September 22, 2022

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Louisa, Virginia
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental	Business-type	Total	EDA
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 2,176,864	\$ 1,202,285	\$ 3,379,149	\$ 63,069
Cash and cash equivalents, restricted	378,695	793,460	1,172,155	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	66,525	-	66,525	-
Accounts receivable	108,865	141,920	250,785	-
Due from other governmental units	14,945	-	14,945	-
Internal balances	898,830	(898,830)	-	-
Prepaid items	-	5,000	5,000	-
Net pension asset	720,323	370,459	1,090,782	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	86,573	-	86,573	-
Buildings and improvements	5,281,647	108,823	5,390,470	-
Machinery and equipment	52,432	50,796	103,228	-
Vehicles	44,250	-	44,250	-
Infrastructure	1,267,611	6,046,993	7,314,604	-
Construction in progress	21,173	-	21,173	-
Total assets	<u>\$ 11,118,733</u>	<u>\$ 7,820,906</u>	<u>\$ 18,939,639</u>	<u>\$ 63,069</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related items	\$ 41,383	\$ 19,268	\$ 60,651	\$ -
OPEB related items	5,625	2,673	8,298	-
Total deferred outflow of resources	<u>\$ 47,008</u>	<u>\$ 21,941</u>	<u>\$ 68,949</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 94,729	\$ 36,812	\$ 131,541	\$ -
Accrued liabilities	20,111	5,482	25,593	-
Accrued interest payable	-	2,921	2,921	-
Customer deposits payable	-	92,773	92,773	-
Unearned revenue	899,008	-	899,008	-
Long-term liabilities:				
Due within one year	32,355	85,923	118,278	-
Due in more than one year	3,120,329	2,933,948	6,054,277	-
Total liabilities	<u>\$ 4,166,532</u>	<u>\$ 3,157,859</u>	<u>\$ 7,324,391</u>	<u>\$ -</u>
DEFERRED INFLOW OF RESOURCES				
Pension related items	\$ 302,661	\$ 154,316	\$ 456,977	\$ -
OPEB related items	14,561	7,488	22,049	-
Total deferred inflow of resources	<u>\$ 317,222</u>	<u>\$ 161,804</u>	<u>\$ 479,026</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 3,643,556	\$ 3,211,499	\$ 6,855,055	\$ -
Restricted:				
Cementary	378,695	-	378,695	-
Net pension asset	720,323	370,459	1,090,782	-
Unrestricted	1,939,413	941,226	2,880,639	63,069
Total net position	<u>\$ 6,681,987</u>	<u>\$ 4,523,184</u>	<u>\$ 11,205,171</u>	<u>\$ 63,069</u>

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

Town of Louisa, Virginia
Statement of Activities
For the Year Ended June 30, 2022

<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	\$ 604,507	\$ -	\$ -	\$ -
Public safety	440,707	21,038	67,261	-
Public works	226,239	8,145	1,396	-
Parks, recreation, and cultural	9,880	-	4,500	-
Community development	111,555	-	-	-
Interest on long-term debt	171,184	-	-	-
Total governmental activities	\$ 1,564,072	\$ 29,183	\$ 73,157	\$ -
Business-type activities:				
Water	\$ 610,724	\$ 650,681	\$ -	\$ -
Sewer	687,831	592,976	-	4,399
Hillcrest cemetery	63,922	14,450	-	-
Total business-type activities	\$ 1,362,477	\$ 1,258,107	\$ -	\$ 4,399
Total primary government	\$ 2,926,549	\$ 1,287,290	\$ 73,157	\$ 4,399
COMPONENT UNITS:				
Discretely presented component unit:				
Louisa Economic Development Authority	\$ 2,568	\$ -	\$ -	\$ -

General property taxes
Other local taxes:
Local sales and use tax
Business license tax
Restaurant food tax
Bank stock taxes
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Total general revenues
Change in net position
Net position - beginning
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	EDA
\$ (604,507)		\$ (604,507)	
(352,408)		(352,408)	
(216,698)		(216,698)	
(5,380)		(5,380)	
(111,555)		(111,555)	
(171,184)		(171,184)	
<u>\$ (1,461,732)</u>		<u>\$ (1,461,732)</u>	
	\$ 39,957	\$ 39,957	
	(90,456)	(90,456)	
	(49,472)	(49,472)	
	<u>\$ (99,971)</u>	<u>\$ (99,971)</u>	
<u>\$ (1,461,732)</u>	<u>\$ (99,971)</u>	<u>\$ (1,561,703)</u>	
			\$ (2,568)
\$ 375,876	\$ -	\$ 375,876	\$ -
114,744	-	114,744	-
256,673	-	256,673	-
741,163	-	741,163	-
202,693	-	202,693	-
6,348	-	6,348	-
12,426	4,827	17,253	93
38,736	-	38,736	7,000
171,062	-	171,062	-
<u>\$ 1,919,721</u>	<u>\$ 4,827</u>	<u>\$ 1,924,548</u>	<u>\$ 7,093</u>
\$ 457,989	\$ (95,144)	\$ 362,845	\$ 4,525
6,223,998	4,618,328	10,842,326	58,544
<u>\$ 6,681,987</u>	<u>\$ 4,523,184</u>	<u>\$ 11,205,171</u>	<u>\$ 63,069</u>

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FUND FINANCIAL STATEMENTS

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Town of Louisa, Virginia
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,176,864
Cash and cash equivalents, restricted	378,695
Receivables (net of allowance for uncollectibles):	
Taxes receivable	66,525
Accounts receivable	108,865
Due from other funds	898,830
Due from other governmental units	14,945
Total assets	<u>\$ 3,644,724</u>
LIABILITIES	
Accounts payable	\$ 94,729
Accrued payroll	20,111
Unearned revenue	899,008
Total liabilities	<u>\$ 1,013,848</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 64,424
Total deferred inflow of resources	<u>\$ 64,424</u>
FUND BALANCES	
Nonspendable	\$ 898,830
Restricted	378,695
Unassigned	1,288,927
Total fund balances	<u>\$ 2,566,452</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,644,724</u>

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

Town of Louisa, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,566,452	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,753,686
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 64,424	
Net pension asset	<u>720,323</u>	784,747
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (302,661)	
OPEB related items	<u>(14,561)</u>	(317,222)
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:		
Compensated absences	\$ (22,641)	
Net OPEB liability	(19,913)	
General obligation bond	<u>(3,110,130)</u>	(3,152,684)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 41,383	
OPEB related items	<u>5,625</u>	47,008
Net position of governmental activities		<u><u>\$ 6,681,987</u></u>

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

Town of Louisa, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>
REVENUES	
General property taxes	\$ 353,288
Other local taxes	1,321,621
Permits, privilege fees, and regulatory licenses	4,819
Fines and forfeitures	16,219
Revenue from the use of money and property	12,426
Charges for services	8,145
Miscellaneous	38,736
Intergovernmental:	
Commonwealth	126,190
Federal	118,029
Total revenues	<u>\$ 1,999,473</u>
EXPENDITURES	
Current:	
General government administration	\$ 620,559
Public safety	457,108
Public works	247,724
Parks, recreation, and cultural	12,046
Debt service:	
Principal retirement	109,649
Interest and other fiscal charges	2,544
Total expenditures	<u>\$ 1,449,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 549,843</u>
Net change in fund balances	\$ 549,843
Fund balances - beginning	2,016,609
Fund balances - ending	<u>\$ 2,566,452</u>

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

Town of Louisa, 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, 2022

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

Net change in fund balances - total governmental funds		\$ 549,843
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 119,357	
Depreciation expense	<u>(287,468)</u>	(168,111)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.		22,588
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. A summary of items supporting this adjustment is as follows:

Principal retirement on general obligation bond	\$ 74,566	
Reclassification of deferred interest as principal on general obligation bond	(230,628)	
Principal retirement on notes payable	<u>35,083</u>	(120,979)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (3,090)	
(Increase) decrease in accrued interest payable	61,988	
Pension expense	113,315	
OPEB expense	<u>2,435</u>	174,648

Change in net position of governmental activities		<u>\$ 457,989</u>
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The notes to financial statements are an integral part of this statement.

Town of Louisa, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds			
	Water	Sewer	Hillcrest Cemetery	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,424,612	\$ -	\$ -	\$ 1,424,612
Cash and cash equivalents, restricted	-	326,265	467,195	793,460
Accounts receivables, net of allowance for uncollectibles	70,774	71,146	-	141,920
Prepaid items	5,000	-	-	5,000
Total current assets	<u>\$ 1,500,386</u>	<u>\$ 397,411</u>	<u>\$ 467,195</u>	<u>\$ 2,364,992</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	\$ -	\$ -	\$ 108,823	\$ 108,823
Equipment	13,122	37,674	-	50,796
Infrastructure	2,056,256	3,990,737	-	6,046,993
Total net capital assets	<u>\$ 2,069,378</u>	<u>\$ 4,028,411</u>	<u>\$ 108,823</u>	<u>\$ 6,206,612</u>
Total noncurrent assets	<u>\$ 2,069,378</u>	<u>\$ 4,028,411</u>	<u>\$ 108,823</u>	<u>\$ 6,206,612</u>
Other assets:				
Net pension asset	\$ 148,545	\$ 153,903	\$ 68,011	\$ 370,459
Total other assets	<u>\$ 148,545</u>	<u>\$ 153,903</u>	<u>\$ 68,011</u>	<u>\$ 370,459</u>
Total assets	<u>\$ 3,718,309</u>	<u>\$ 4,579,725</u>	<u>\$ 644,029</u>	<u>\$ 8,942,063</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 7,682	\$ 8,042	\$ 3,544	\$ 19,268
OPEB related items	1,068	1,115	490	2,673
Total deferred outflows of resources	<u>\$ 8,750</u>	<u>\$ 9,157</u>	<u>\$ 4,034</u>	<u>\$ 21,941</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,148	\$ 26,287	\$ 5,377	\$ 36,812
Accrued payroll	539	3,580	1,363	5,482
Reconciled overdraft payable	-	140,532	81,795	222,327
Accrued interest payable	-	2,921	-	2,921
Customer deposits payable	46,018	46,755	-	92,773
Due to other funds	140,230	578,582	180,018	898,830
Bonds payable - current portion	-	84,471	-	84,471
Compensated absences - current portion	576	597	280	1,452
Total current liabilities	<u>\$ 192,511</u>	<u>\$ 883,725</u>	<u>\$ 268,833</u>	<u>\$ 1,345,068</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ -	\$ 2,910,642	\$ -	\$ 2,910,642
Compensated absences - net of current portion	5,180	5,369	2,516	13,065
Net OPEB liability	4,106	4,255	1,880	10,241
Total noncurrent liabilities	<u>\$ 9,286</u>	<u>\$ 2,920,266</u>	<u>\$ 4,396</u>	<u>\$ 2,933,948</u>
Total liabilities	<u>\$ 201,796</u>	<u>\$ 3,803,991</u>	<u>\$ 273,229</u>	<u>\$ 4,279,016</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 61,693	\$ 64,187	\$ 28,436	\$ 154,316
OPEB related items	3,003	3,111	1,374	7,488
Total deferred inflows of resources	<u>\$ 64,696</u>	<u>\$ 67,298</u>	<u>\$ 29,810</u>	<u>\$ 161,804</u>
NET POSITION				
Net investment in capital assets	\$ 2,069,378	\$ 1,033,298	\$ 108,823	\$ 3,211,499
Unrestricted	1,391,189	(315,705)	236,201	1,311,685
Total net position	<u>\$ 3,460,567</u>	<u>\$ 717,593</u>	<u>\$ 345,024</u>	<u>\$ 4,523,184</u>

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

Town of Louisa, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Hillcrest Cemetery</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water and sewer revenues	\$ 646,001	\$ 587,756	\$ -	\$ 1,233,757
Penalties	2,400	-	-	2,400
Sale of lots and permits	-	-	14,450	14,450
Total operating revenues	<u>\$ 648,401</u>	<u>\$ 587,756</u>	<u>\$ 14,450</u>	<u>\$ 1,250,607</u>
OPERATING EXPENSES				
Personnel services	\$ 81,551	\$ 86,040	\$ 61,575	\$ 229,166
Fringe benefits	(101)	128	(910)	(883)
Contractual services	15,880	767	-	16,647
Purchases from Louisa County Water Authority	296,909	358,172	-	655,081
Other supplies and expenses	45,541	33,140	726	79,407
Depreciation	170,944	126,023	2,531	299,498
Total operating expenses	<u>\$ 610,724</u>	<u>\$ 604,270</u>	<u>\$ 63,922</u>	<u>\$ 1,278,916</u>
Operating income (loss)	<u>\$ 37,677</u>	<u>\$ (16,514)</u>	<u>\$ (49,472)</u>	<u>\$ (28,309)</u>
NONOPERATING REVENUES (EXPENSES)				
Connection and reconnection fees	\$ 2,280	\$ 5,220	\$ -	\$ 7,500
Interest income	1,888	841	2,098	4,827
Interest expense	-	(83,561)	-	(83,561)
Total nonoperating revenues (expenses)	<u>\$ 4,168</u>	<u>\$ (77,500)</u>	<u>\$ 2,098</u>	<u>\$ (71,234)</u>
Income (loss)	<u>\$ 41,845</u>	<u>\$ (94,014)</u>	<u>\$ (47,374)</u>	<u>\$ (99,543)</u>
Capital contributions and construction grants	<u>\$ -</u>	<u>\$ 4,399</u>	<u>\$ -</u>	<u>\$ 4,399</u>
Change in net position	<u>\$ 41,845</u>	<u>\$ (89,615)</u>	<u>\$ (47,374)</u>	<u>\$ (95,144)</u>
Total net position - beginning	3,418,722	807,208	392,398	4,618,328
Total net position - ending	<u>\$ 3,460,567</u>	<u>\$ 717,593</u>	<u>\$ 345,024</u>	<u>\$ 4,523,184</u>

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

Town of Louisa, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds			
	Water	Sewer	Hillcrest Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 653,780	\$ 596,571	\$ 14,450	\$ 1,264,801
Payments for operating expenses	(370,100)	(546,435)	55,602	(860,933)
Payments to and for employees	(102,240)	(106,070)	(70,051)	(278,361)
Net cash provided by (used for) operating activities	<u>\$ 181,440</u>	<u>\$ (55,934)</u>	<u>\$ 1</u>	<u>\$ 125,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (6,500)	\$ (50,999)	\$ -	\$ (57,499)
Principal payments on bonds	-	5,583	-	5,583
Connection and reconnection fees	2,280	5,220	-	7,500
Intergovernmental grants	-	254,981	-	254,981
Interest payments	-	(158,852)	-	(158,852)
Net cash provided by (used for) capital and related financing activities	<u>\$ (4,220)</u>	<u>\$ 55,933</u>	<u>\$ -</u>	<u>\$ 51,713</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	\$ 1,888	\$ 841	\$ 2,098	\$ 4,827
Net cash provided (used) by investing activities	<u>\$ 1,888</u>	<u>\$ 841</u>	<u>\$ 2,098</u>	<u>\$ 4,827</u>
Net increase (decrease) in cash and cash equivalents	\$ 179,108	\$ 840	\$ 2,099	\$ 182,047
Cash and cash equivalents - beginning	1,245,504	325,425	465,096	2,036,025
Cash and cash equivalents - ending	<u>\$ 1,424,612</u>	<u>\$ 326,265</u>	<u>\$ 467,195</u>	<u>\$ 2,218,072</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 37,677	\$ (16,514)	\$ (49,472)	\$ (28,309)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	170,944	126,023	2,531	299,498
(Increase) decrease in accounts receivable	4,936	3,764	-	8,700
(Increase) decrease in net pension asset	(90,609)	(95,114)	(42,412)	(228,135)
(Increase) decrease in deferred outflows of resources	12,389	12,431	5,209	30,029
Increase (decrease) in customer deposits payable	443	5,051	-	5,494
Increase (decrease) in accounts payable	(11,770)	(254,693)	(350)	(266,813)
Increase (decrease) in accrued payroll	(3,018)	(399)	(67)	(3,484)
Increase (decrease) in overdraft payable	-	100,336	56,678	157,014
Increase (decrease) in deferred inflows of resources	63,161	65,748	29,104	158,013
Increase (decrease) in net OPEB liability	(3,157)	(3,115)	(1,329)	(7,601)
Increase (decrease) in compensated absences	444	548	109	1,101
Total adjustments	<u>\$ 143,763</u>	<u>\$ (39,420)</u>	<u>\$ 49,473</u>	<u>\$ 153,816</u>
Net cash provided by (used for) operating activities	<u>\$ 181,440</u>	<u>\$ (55,934)</u>	<u>\$ 1</u>	<u>\$ 125,507</u>

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

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 1—Summary of Significant Accounting Policies:

Town of Louisa, Virginia (the "Town") is governed by an elected five-member Council and an elected Mayor. The Town provides a full range of services for its citizens. These services include police and fire, public improvements, general administration services, recreation, sanitation services, and utilities.

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

Financial Statement Presentation

Management's Discussion and Analysis - The Town has chosen not to present a Management's Discussion and Analysis.

Government-wide and Fund Financial Statements

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

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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 Town of Louisa (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units on June 30, 2022.

Discretely Presented Component Units. The Louisa Economic Development Authority (EDA) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. There are no separate financial statements in the EDA.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

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

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

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

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

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

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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

In the fund financial statements, financial transactions and accounts of the Town are organized based on funds. The operation of each fund is 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 Town reports the following governmental fund.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

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.

a. Water Fund

The water fund accounts for the financing of water services to the public where all or most of the operating expenses involved are intended to be recovered in the form of user charges.

b. Sewer Fund

The sewer fund accounts for the financing of sewer services to the public where all or most of the operating expenses involved are intended to be recovered in the form of user charges.

c. Hillcrest Cemetery Fund

The Hillcrest Cemetery fund accounts for the maintenance of the Hillcrest Cemetery that is intended to be recovered in the form of user charges through the sale of burial lots and head stone permits. The Town is obligated to perpetually maintain and properly care for lots.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

2. Proprietary Funds (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

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

E. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and 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.

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "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" (i.e., the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$13,928 on June 30, 2022 and is comprised of property taxes of \$10,451 and water and sewer charges of \$3,477.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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	January 15	January 15
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property and plant and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property and plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Machinery and Equipment	5-10
Vehicles	5-10
Infrastructure	10-50

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

I. Compensated Absences

Vested or accumulated vacation and compensatory 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 and compensatory 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 receive sick pay benefits.

J. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

K. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- 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 Town 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 government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. 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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

L. Long-term Obligations (Continued)

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

M. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance”. Town’s governmental funds report the following categories of fund balances, based on the nature of any limitations requiring the use of resources for specific purposes:

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

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or 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 Town Council 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).

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

M. Fund Balance (Continued)

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

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

	<u>General</u>
Fund balances:	
Nonspendable:	
Long-term amounts due from other funds	\$ 898,830
Restricted for:	
Cemetery	378,184
Unassigned	<u>1,627,776</u>
Total fund balances	<u>\$ 2,904,790</u>

O. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town 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 is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

P. Pensions

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

Q. 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 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.

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 30, the Town Manager submits to the Town Council 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 Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2022, as adopted, appropriated, and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund on June 30, 2022.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

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 more than the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

The Town’s rated debt investments as of June 30, 2022, were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 1,666,888
Total	\$ 1,666,888

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 1,666,888	\$ 1,666,888
Total	\$ 1,666,888	\$ 1,666,888

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

On June 30, 2022, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia:	
Communications tax	\$ 819
Local law enforcement grant	8,984
Auto rental tax	4,521
Other	<u>621</u>
 Total due from other governments	 <u>\$ 14,945</u>

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 86,573	\$ -	\$ -	\$ 86,573
Construction in progress	21,173	-	-	21,173
Total capital assets not subject to depreciation	\$ 107,746	\$ -	\$ -	\$ 107,746
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,275,957	\$ 111,694	\$ -	\$ 7,387,651
Machinery and equipment	536,158	7,663	-	543,821
Vehicles	432,543	-	-	432,543
Infrastructure	1,653,403	-	-	1,653,403
Total capital assets subject to depreciation	\$ 9,898,061	\$ 119,357	\$ -	\$ 10,017,418
Accumulated depreciation:				
Buildings and improvements	\$ 1,942,500	\$ 163,504	\$ -	\$ 2,106,004
Machinery and equipment	471,984	19,405	-	491,389
Vehicles	338,847	49,446	-	388,293
Infrastructure	330,679	55,113	-	385,792
Total accumulated depreciation	\$ 3,084,010	\$ 287,468	\$ -	\$ 3,371,478
Total capital assets subject to depreciation, net	\$ 6,814,051	\$ (168,111)	\$ -	\$ 6,645,940
Governmental activities capital assets, net	\$ 6,921,797	\$ (168,111)	\$ -	\$ 6,753,686

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<i>Business-type Activities:</i>				
Capital assets subject to depreciation:				
Buildings and improvements	\$ 181,486	\$ -	\$ -	\$ 181,486
Machinery and equipment	142,786	6,500	-	149,286
Vehicles	34,700	-	-	34,700
Infrastructure	10,635,981	51,000	-	10,686,981
Total capital assets subject to depreciation	<u>\$ 10,994,953</u>	<u>\$ 57,500</u>	<u>\$ -</u>	<u>\$ 11,052,453</u>
Accumulated depreciation:				
Buildings and improvements	\$ 70,132	\$ 2,531	\$ -	\$ 72,663
Machinery and equipment	89,318	9,172	-	98,490
Vehicles	33,560	1,140	-	34,700
Infrastructure	4,353,333	286,655	-	4,639,988
Total accumulated depreciation	<u>\$ 4,546,343</u>	<u>\$ 299,498</u>	<u>\$ -</u>	<u>\$ 4,845,841</u>
Total capital assets subject to depreciation, net	<u>\$ 6,448,610</u>	<u>\$ (241,998)</u>	<u>\$ -</u>	<u>\$ 6,206,612</u>
Business-type activities capital assets, net	<u>\$ 6,448,610</u>	<u>\$ (241,998)</u>	<u>\$ -</u>	<u>\$ 6,206,612</u>

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 123,547
Public safety	52,366
Community development	111,555
	<hr/>
Total depreciation expense - governmental activities	\$ 287,468
Business-type activities:	
Water fund	\$ 170,944
Sewer fund	126,023
Hillcrest Cemetery fund	2,531
	<hr/>
Total depreciation expense - business-type activities	\$ 299,498
	<hr/>
Total depreciation expense - primary government	\$ 586,966

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2022:

	Balance at July 1, 2021	Issuances/ Additions	Retirements/ Reductions	Reclassification	Balance at June 30, 2022	Amounts Due Within One Year
Governmental Activities:						
General obligation bonds	\$ 1,777,250	\$ -	\$ 74,566	\$ 133,129	\$ 1,835,813	\$ 24,224
Bonds from direct placement	1,176,818	-	-	97,499	1,274,317	5,867
Notes from direct borrowings	35,083	-	35,083	-	-	-
Net OPEB liability	33,057	7,619	20,763	-	19,913	-
Compensated absences	19,551	5,045	1,955	-	22,641	2,264
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	\$ 3,041,759	\$ 12,664	\$ 132,367	\$ 230,628	\$ 3,152,684	\$ 32,355
Business-type Activities:						
General obligation bonds	\$ 2,989,530	\$ -	\$ 75,417	\$ 81,000	2,995,113	\$ 84,471
Net OPEB liability	17,842	3,918	11,519	-	10,241	-
Compensated absences	13,416	2,443	1,342	-	14,517	1,452
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-type Activities	\$ 3,020,788	\$ 6,361	\$ 88,278	\$ 81,000	\$ 3,019,871	\$ 85,923
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 6,062,547	\$ 19,025	\$ 220,645	\$ 311,628	\$ 6,172,555	\$ 118,278

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 6—Long-term Obligations: (Continued)

Government Activities Reclassification

In August 2022, the United States Department of Agriculture reclassified deferred interest accumulated during deferral of payments due to COVID-19 to principal that will be paid over the length of the bond. This resulted in reclassification of \$230,628 from accrued interest payable to long term debt.

Business-type Activities Reclassification

In July 2022, the United States Department of Agriculture reclassified deferred interest accumulated during deferral of payments due to COVID-19 to principal that will be paid over the length of the bond. This resulted in reclassification of \$81,000 from accrued interest payable to long term debt.

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Bonds from Direct Placement	
	Principal	Interest	Principal	Interest
2023	\$ 24,224	\$ 73,826	\$ 5,867	\$ 55,303
2024	42,664	74,996	16,665	56,739
2025	44,483	73,177	17,430	55,974
2026	46,381	71,279	18,231	55,173
2027	48,359	69,301	19,069	54,335
2028-2032	274,553	313,747	109,317	257,703
2033-2037	338,322	249,978	136,840	230,180
2038-2042	416,908	171,392	171,297	195,723
2043-2047	513,753	74,547	214,429	152,591
2048-2052	86,166	1,485	268,421	98,599
2053-2057	-	-	296,751	31,405
Total	<u>\$ 1,835,813</u>	<u>\$ 1,173,728</u>	<u>\$ 1,274,317</u>	<u>\$ 1,243,725</u>

The Town's outstanding direct borrowings and direct placements related to governmental activities contain provisions that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2023	\$ 84,471	\$ 84,969
2024	87,098	82,342
2025	89,818	79,622
2026	92,634	76,806
2027	95,549	73,891
2028-2032	525,245	321,955
2033-2037	615,519	231,681
2038-2042	608,520	127,723
2043-2047	452,112	62,628
2048-2053	288,532	14,513
2054-2059	50,726	2,554
2060	4,889	21
Total	<u>\$ 2,995,113</u>	<u>\$ 1,158,705</u>

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>General Obligation Bonds:</u>	
\$950,000 general obligation bond issued April 17, 2008, \$64,419 of payments deferred during COVID-19 reamortized per agreement, payments due in monthly installments of \$4,709 beginning September 2022 through April 2048 with interest due monthly at 4.25%	\$ 875,635
\$550,000 general obligation bond issued April 17, 2008, \$35,988 of payments deferred during COVID-19 reamortized per agreement, payments due in monthly installments of \$2,669 beginning September 2022 through April 2048 with interest due monthly at 4.125%	502,906
\$500,000 general obligation bond issued April 17, 2008, \$32,722 of payments deferred during COVID-19 reamortized per agreement, payments due in monthly installments of \$2,427 beginning September 2023 through April 2048 with interest due monthly at 4.125%	<u>457,272</u>
Total General Obligation Bonds	<u>\$ 1,835,813</u>
<u>Direct Placement:</u>	
\$1,201,371 general obligation bond issued June 27, 2018, \$97,499 of payments deferred during COVID-19 reamortized per agreement, payments due in monthly installments of \$6,117 beginning September 2022 through June 2058 with interest due monthly at 4.5%	<u>\$ 1,274,317</u>
Net OPEB liability	<u>\$ 19,913</u>
Compensated absences	<u>\$ 22,641</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 3,152,684</u>

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 6—Long-term Obligations: (Continued)

Business-type Activities:

General Obligation Bonds:

\$1,134,400 general obligation bond issued October 11, 2000, \$36,282 of payments deferred due to COVID-19, payments due in monthly installments of \$5,541 through October 2040 with interest due monthly at 4.5%	\$ 829,004
\$2,114,916 general obligation bond issued August 3, 2015, \$44,718 of payments deferred due to COVID-19, payments due in monthly installments of \$7,839 through February 2050 with interest due monthly at 2.375%	1,905,760
\$267,000 general obligation bond issued April 6, 2020 due in monthly installments of \$740 through January 2060 with interest due monthly at 1.375%	<u>260,349</u>
Total General Obligation Bonds	<u>\$ 2,995,113</u>
Net OPEB liability	<u>\$ 10,241</u>
Compensated absences	<u>\$ 14,517</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 3,019,871</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 6,172,555</u></u>

Note 7—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. 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 \$64,424 on June 30, 2022.

Note 8—Litigation:

On June 30, 2022, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 9—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee dishonesty. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays 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 that the premium of each bear to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10—Pension Plan:

Plan Description

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

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

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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10—Pension Plan: (Continued)

Benefit Structures (Continued)

- 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 credit 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 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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	11
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>19</u>
Total inactive members	33
Active members	<u>11</u>
Total covered employees	<u><u>58</u></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.

The Town's contractually required employer contribution rate for the year ended June 30, 2022, was 5.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 Town were \$29,466 and \$25,670 for the years ended June 30, 2022, and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL) is calculated separately for each employer and represents that employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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 Health 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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes 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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 10—Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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.

The actuarial assumptions used in the June 30, 2020, 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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Stra	6.00%	3.29%	0.20%
PIP - Private Investment Partr	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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%.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10—Pension Plan: (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 Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, 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, 2021, 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 (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 2,694,894	\$ 3,100,922	\$ (406,028)
Changes for the year:			
Service cost	\$ 56,453	\$ -	\$ 56,453
Interest	176,567	-	176,567
Changes of assumptions	117,366	-	117,366
Differences between expected and actual experience	(147,578)	-	(147,578)
Contributions - employer	-	25,670	(25,670)
Contributions - employee	-	24,824	(24,824)
Net investment income	-	839,121	(839,121)
Benefit payments, including refunds	(158,168)	(158,168)	-
Administrative expenses	-	(2,132)	2,132
Other changes	-	79	(79)
Net changes	\$ 44,640	\$ 729,394	\$ (684,754)
Balances at June 30, 2021	\$ 2,739,534	\$ 3,830,316	\$ (1,090,782)

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 10—Pension Plan: (Continued)

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

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town’s 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's			
Net Pension Liability (Asset)	\$ (742,692)	\$ (1,090,782)	\$ (1,377,843)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$(129,715). On June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118	\$ 39,065
Change in assumptions	31,067	-
Net difference between projected and actual earnings on pension plan investments	-	417,912
Employer contributions subsequent to the measurement date	29,466	-
Total	<u>\$ 60,651</u>	<u>\$ 456,977</u>

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10—Pension Plan: (Continued)

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

\$29,466 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions, after the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (asset) in the fiscal year ending June 30, 2023. 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>	<u>Primary Government</u>
2023	\$ (105,941)
2024	(95,775)
2025	(97,372)
2026	(126,704)
2027	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 11—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 Group Life Insurance Plan OPEB.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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 will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

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 because 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 employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Group Life Insurance Plan from the entity were \$3,197 and \$2,889 for the years ended June 30, 2022, and June 30, 2021, respectively.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—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 Group Life Insurance Plan OPEB

At June 30, 2022, the entity reported a liability of \$30,154, its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer’s proportion was 0.00260% as compared to 0.00310% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$(1,062). 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.

On June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,439	\$ 230
Net difference between projected and actual earnings on GLI OPEB plan investments	-	7,197
Change in assumptions	1,662	4,126
Changes in proportionate share	-	10,496
Employer contributions subsequent to the measurement date	3,197	-
Total	<u>\$ 8,298</u>	<u>\$ 22,049</u>

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—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 Group Life Insurance Plan OPEB (Continued)

\$3,197 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions after the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. 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:

<u>Year Ended June 30</u>	
2023	\$ (3,783)
2024	(3,448)
2025	(3,433)
2026	(4,481)
2027	(1,803)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information on other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
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

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2020 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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

The actuarial assumptions used in the June 30, 2020 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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<u>GLI OPEB</u> <u>Plan</u>
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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, proving a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

Note 11—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, 2021, 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, 2021 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%)
Town’s proportionate share of the GLI Plan Net OPEB Liability	\$ 44,057	\$ 30,154	\$ 18,927

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12—Line of Duty Act (LODA) (OPEB Benefits): (Continued)

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town'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 Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2022, was \$4,512.

Note 13—Adoption of Accounting Principles:

The Town implemented the provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2022. This Statement provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this Statement did not result in a restatement of net position.

Note 14—Upcoming Pronouncements:

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

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

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

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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 14—Upcoming Pronouncements: (Continued)

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.

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

Note 15—COVID-19 Pandemic Funding and Subsequent Events:

COVID-19 Pandemic Funding and Subsequent Event Note Disclosure Example:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On July 22, 2022, the Town received its share of the second half of the CSLFRF funds in the amount of \$899,008. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Additionally, unspent funds in the amount of \$899,008 from the initial allocation are reported as unearned revenue as of June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Louisa, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 356,000	\$ 356,000	\$ 353,288	\$ (2,712)
Other local taxes	1,138,400	1,138,400	1,321,621	183,221
Permits, privilege fees, and regulatory licenses	3,000	3,000	4,819	1,819
Fines and forfeitures	7,000	7,000	16,219	9,219
Revenue from the use of money and property	12,300	12,300	12,426	126
Charges for services	7,600	7,600	8,145	545
Miscellaneous	6,000	6,000	38,736	32,736
Intergovernmental:				
Commonwealth	1,257,242	1,257,242	126,190	(1,131,052)
Federal	1,500	1,500	118,029	116,529
Total revenues	<u>\$ 2,789,042</u>	<u>\$ 2,789,042</u>	<u>\$ 1,999,473</u>	<u>\$ (789,569)</u>
EXPENDITURES				
Current:				
General government administration	\$ 542,775	\$ 590,887	\$ 620,559	\$ (29,672)
Public safety	574,040	525,928	457,108	68,820
Public works	1,713,829	1,713,829	247,724	1,466,105
Parks, recreation, and cultural	18,260	18,260	12,046	6,214
Debt service:				
Principal retirement	77,934	119,759	109,649	10,110
Interest and other fiscal charges	135,244	93,419	2,544	90,875
Total expenditures	<u>\$ 3,062,082</u>	<u>\$ 3,062,082</u>	<u>\$ 1,449,630</u>	<u>\$ 1,612,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (273,040)</u>	<u>\$ (273,040)</u>	<u>\$ 549,843</u>	<u>\$ 822,883</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (10,395)	\$ (10,395)	\$ -	\$ 10,395
Total other financing sources (uses)	<u>\$ (10,395)</u>	<u>\$ (10,395)</u>	<u>\$ -</u>	<u>\$ 10,395</u>
Net change in fund balances	\$ (283,435)	\$ (283,435)	\$ 549,843	\$ 833,278
Fund balances - beginning	283,435	283,435	2,016,609	1,733,174
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,566,452</u>	<u>\$ 2,566,452</u>

Town of Louisa, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>
Total pension liability		
Service cost	\$ 56,453	\$ 101,926
Interest	176,567	164,636
Changes in benefit terms	-	-
Changes of assumptions	117,366	-
Differences between expected and actual experience	(147,578)	23,646
Benefit payments	(158,168)	(68,738)
Net change in total pension liability	<u>\$ 44,640</u>	<u>\$ 221,470</u>
Total pension liability - beginning	<u>2,694,894</u>	<u>2,473,424</u>
Total pension liability - ending (a)	<u><u>\$ 2,739,534</u></u>	<u><u>\$ 2,694,894</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 25,670	\$ 40,875
Contributions - employee	24,824	29,050
Net investment income	839,121	58,727
Benefit payments	(158,168)	(68,738)
Administrator charges	(2,132)	(1,955)
Other	79	(70)
Net change in plan fiduciary net position	<u>\$ 729,394</u>	<u>\$ 57,889</u>
Plan fiduciary net position - beginning	<u>3,100,922</u>	<u>3,043,033</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,830,316</u></u>	<u><u>\$ 3,100,922</u></u>
 Town's net pension liability (asset) - ending (a) - (b)	 <u>\$ (1,090,782)</u>	 <u>\$ (406,028)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 139.82%	 115.07%
 Covered payroll	 \$ 535,076	 \$ 613,667
 Town's net pension liability (asset) as a percentage of covered payroll	 -203.86%	 -66.16%

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

Exhibit 11

	2019	2018	2017	2016	2015	2014
\$	102,639	\$ 108,991	\$ 106,188	\$ 56,588	\$ 67,988	\$ 64,175
	159,180	150,697	141,058	140,683	135,553	125,276
	-	-	30,963	-	-	-
	70,072	-	(13,135)	-	-	-
	(98,542)	(79,018)	(78,000)	(144,757)	(86,921)	-
	(67,849)	(51,107)	(47,649)	(46,681)	(39,981)	(45,293)
\$	<u>165,500</u>	\$ <u>129,563</u>	\$ <u>139,425</u>	\$ <u>5,833</u>	\$ <u>76,639</u>	\$ <u>144,158</u>
	2,307,924	2,178,361	2,038,936	2,033,103	1,956,464	1,812,306
\$	<u><u>2,473,424</u></u>	\$ <u><u>2,307,924</u></u>	\$ <u><u>2,178,361</u></u>	\$ <u><u>2,038,936</u></u>	\$ <u><u>2,033,103</u></u>	\$ <u><u>1,956,464</u></u>
\$	47,017	\$ 43,155	\$ 43,917	\$ 31,305	\$ 32,058	\$ 43,063
	32,608	31,901	33,314	28,652	29,439	29,864
	191,286	195,881	285,805	40,420	99,207	290,818
	(67,849)	(51,107)	(47,649)	(46,681)	(39,981)	(45,293)
	(1,840)	(1,639)	(1,592)	(1,386)	(1,317)	(1,532)
	(121)	(176)	(256)	(17)	(21)	16
\$	<u>201,101</u>	\$ <u>218,015</u>	\$ <u>313,539</u>	\$ <u>52,293</u>	\$ <u>119,385</u>	\$ <u>316,936</u>
	2,841,932	2,623,917	2,310,378	2,258,085	2,138,700	1,821,764
\$	<u><u>3,043,033</u></u>	\$ <u><u>2,841,932</u></u>	\$ <u><u>2,623,917</u></u>	\$ <u><u>2,310,378</u></u>	\$ <u><u>2,258,085</u></u>	\$ <u><u>2,138,700</u></u>
\$	(569,609)	\$ (534,008)	\$ (445,556)	\$ (271,442)	\$ (224,982)	\$ (182,236)
	123.03%	123.14%	120.45%	113.31%	111.07%	109.31%
\$	688,470	\$ 669,594	\$ 667,503	\$ 617,062	\$ 609,214	\$ 597,267
	-82.74%	-79.75%	-66.75%	-43.99%	-36.93%	-30.51%

Town of Louisa, Virginia
 Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2013 through June 30, 2022

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					
2022	\$ 29,466	\$ 29,466	-	\$ 592,072	4.98%
2021	25,670	25,670	-	535,076	4.80%
2020	41,042	41,042	-	613,667	6.69%
2019	47,017	47,017	-	688,470	6.83%
2018	43,155	43,155	-	669,594	6.44%
2017	43,917	43,917	-	667,503	6.58%
2016	31,305	31,305	-	617,062	5.07%
2015	32,058	32,058	-	609,214	5.26%
2014	43,063	43,063	-	597,267	7.21%
2013	45,395	45,395	-	629,617	7.21%

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

Town of Louisa, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2022

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, 2020 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

Town of Louisa, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.00260% \$	30,154 \$	535,076	5.64%	67.45%
2020	0.00310%	50,899	627,736	8.11%	52.64%
2019	0.00350%	57,117	688,740	8.29%	52.00%
2018	0.00352%	54,000	669,594	8.06%	51.22%
2017	0.00362%	55,000	667,503	8.24%	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.

Town of Louisa, Virginia
 Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2016 through June 30, 2022

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)
2022	\$ 3,197	\$ 3,197	\$ -	\$ 592,072	0.54%
2021	2,889	2,889	-	535,076	0.54%
2020	3,264	3,264	-	627,736	0.52%
2019	3,580	3,580	-	688,470	0.52%
2018	3,482	3,482	-	669,594	0.52%
2017	3,471	3,471	-	667,503	0.52%
2016	2,962	2,962	-	617,062	0.48%

Schedule is intended to show information for 10 years. Information prior to 2016 is not available. However, additional years will be included as they become available.

Town of Louisa, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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, 2020 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

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

OTHER SUPPLEMENTARY INFORMATION

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Town of Louisa, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 63,069
Total assets	<u>\$ 63,069</u>

NET POSITION

Unrestricted	\$ 63,069
Total net position	<u><u>\$ 63,069</u></u>

Town of Louisa, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2022

OPERATING REVENUES

Charges for services:

Miscellaneous	\$ 7,000
Total operating revenues	<u>\$ 7,000</u>

OPERATING EXPENSES

Community development	\$ 2,568
Total operating expenses	<u>\$ 2,568</u>

Operating income (loss)	<u>\$ 4,432</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 93
Total nonoperating revenues (expenses)	<u>\$ 93</u>

Change in net position	\$ 4,525
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Total net position - beginning	58,544
Total net position - ending	<u><u>\$ 63,069</u></u>

Town of Louisa, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 7,000
Payments for operating activities	(2,568)
Net cash provided by (used for) operating activities	<u>\$ 4,432</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 93
Net cash provided by (used for) investing activities	<u>\$ 93</u>

Net increase (decrease) in cash and cash equivalents \$ 4,525

Cash and cash equivalents - beginning	58,544
Cash and cash equivalents - ending	<u>\$ 63,069</u>

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

Operating income (loss)	\$ 4,432
Net cash provided by (used for) operating activities	<u>\$ 4,432</u>

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SUPPORTING SCHEDULES

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Town of Louisa, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

Schedule 1
 Page 1 of 2

<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	\$ 270,000	\$ 270,000	\$ 271,037	\$ 1,037
Real and personal public service corporation taxes	8,500	8,500	9,814	1,314
Personal property taxes	72,500	72,500	67,627	(4,873)
Penalties	2,500	2,500	2,668	168
Interest	2,500	2,500	2,142	(358)
Total general property taxes	<u>\$ 356,000</u>	<u>\$ 356,000</u>	<u>\$ 353,288</u>	<u>\$ (2,712)</u>
Other local taxes:				
Local sales and use taxes	\$ 88,000	\$ 88,000	\$ 114,744	\$ 26,744
Consumption tax	4,400	4,400	4,520	120
Business license taxes	245,000	245,000	256,673	11,673
Bank stock taxes	160,000	160,000	202,693	42,693
Hotel and motel room taxes	1,000	1,000	1,828	828
Restaurant food taxes	640,000	640,000	741,163	101,163
Total other local taxes	<u>\$ 1,138,400</u>	<u>\$ 1,138,400</u>	<u>\$ 1,321,621</u>	<u>\$ 183,221</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 3,000	\$ 3,000	\$ 4,819	\$ 1,819
Fines and forfeitures:				
Court fines and forfeitures	\$ 7,000	\$ 7,000	\$ 16,219	\$ 9,219
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 2,126	\$ 626
Revenue from use of property	10,800	10,800	10,300	(500)
Total revenue from use of money and property	<u>\$ 12,300</u>	<u>\$ 12,300</u>	<u>\$ 12,426</u>	<u>\$ 126</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 7,600	\$ 7,600	\$ 8,145	\$ 545
Miscellaneous:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 38,736	\$ 32,736
Total revenue from local sources	<u>\$ 1,530,300</u>	<u>\$ 1,530,300</u>	<u>\$ 1,755,254</u>	<u>\$ 224,954</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 1,700	\$ 1,700	\$ 1,678	\$ (22)
Auto rental tax	20,000	20,000	20,427	427
Motor home sales tax	-	-	4,521	4,521
Communications tax	4,800	4,800	5,122	322
Personal property tax relief funds	21,378	21,378	21,379	1
Total noncategorical aid	<u>\$ 47,878</u>	<u>\$ 47,878</u>	<u>\$ 53,127</u>	<u>\$ 5,249</u>

Town of Louisa, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Other categorical aid:				
DJCP grants for law enforcement	\$ 39,000	\$ 39,000	\$ 40,787	\$ 1,787
TEA grant	1,133,744	1,133,744	-	(1,133,744)
Litter control	950	950	1,396	446
Justice grants	13,170	13,170	10,804	(2,366)
Arts grant	4,500	4,500	4,500	-
Games of skill	3,000	3,000	576	(2,424)
Fire programs	15,000	15,000	15,000	-
Total other categorical aid	<u>\$ 1,209,364</u>	<u>\$ 1,209,364</u>	<u>\$ 73,063</u>	<u>\$ (1,136,301)</u>
Total categorical aid	<u>\$ 1,209,364</u>	<u>\$ 1,209,364</u>	<u>\$ 73,063</u>	<u>\$ (1,136,301)</u>
Total revenue from the Commonwealth	<u>\$ 1,257,242</u>	<u>\$ 1,257,242</u>	<u>\$ 126,190</u>	<u>\$ (1,131,052)</u>
Revenue from the federal government:				
Other categorical aid:				
Covid 19 - CARES Act	\$ -	\$ -	\$ 117,359	\$ 117,359
Department of Justice grant	1,500	1,500	670	(830)
Total other categorical aid	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 118,029</u>	<u>\$ 116,529</u>
Total revenue from the federal government	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 118,029</u>	<u>\$ 116,529</u>
Total General Fund	<u>\$ 2,789,042</u>	<u>\$ 2,789,042</u>	<u>\$ 1,999,473</u>	<u>\$ (789,569)</u>

Town of Louisa, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<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:				
General and financial administration:				
Town Manager and financial administration	\$ 542,775	\$ 590,887	620,559	\$ (29,672)
Total general government administration	\$ 542,775	\$ 590,887	\$ 620,559	\$ (29,672)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 548,040	\$ 499,928	431,108	\$ 68,820
Fire and rescue services:				
Fire department	\$ 26,000	\$ 26,000	26,000	\$ -
Total public safety	\$ 574,040	\$ 525,928	\$ 457,108	\$ 68,820
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 1,614,329	\$ 1,614,329	\$ 150,806	\$ 1,463,523
Sanitation and waste removal:				
Refuse collection	\$ 71,500	\$ 71,500	\$ 67,277	\$ 4,223
Recycling	28,000	28,000	29,641	(1,641)
Total sanitation and waste removal	\$ 99,500	\$ 99,500	\$ 96,918	\$ 2,582
Total public works	\$ 1,713,829	\$ 1,713,829	\$ 247,724	\$ 1,466,105
Parks, recreation, and cultural:				
Parks and recreation:				
Ball park	\$ 1,700	\$ 1,700	\$ 1,043	\$ 657
Oakland Cemetery	16,560	16,560	11,003	5,557
Total parks and recreation	\$ 18,260	\$ 18,260	\$ 12,046	\$ 6,214
Total parks, recreation, and cultural	\$ 18,260	\$ 18,260	\$ 12,046	\$ 6,214
Debt service:				
Principal retirement	\$ 77,934	\$ 119,759	\$ 109,649	\$ 10,110
Interest and other fiscal charges	135,244	93,419	2,544	90,875
Total debt service	\$ 213,178	\$ 213,178	\$ 112,193	\$ 100,985
Total General Fund	\$ 3,062,082	\$ 3,062,082	\$ 1,449,630	\$ 1,612,452

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OTHER STATISTICAL INFORMATION

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Table 1

**Town of Louisa, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long- term Debt	Enterprise Funds	Total
2021-22	\$ 604,507	\$ 440,707	\$ 226,239	\$ 9,880	\$ 111,555	\$ 73,686	\$ 1,362,477	\$ 2,829,051
2020-21	735,072	529,796	228,936	14,004	111,555	90,387	1,384,331	3,094,081
2019-20	657,060	505,260	189,010	24,424	111,555	124,502	1,395,970	3,007,781
2018-19	551,762	472,887	218,448	14,952	111,555	130,549	1,252,221	2,752,374
2017-18	663,480	498,030	221,867	14,561	79,939	75,158	1,402,324	2,955,359
2016-17	637,230	449,295	185,784	14,486	79,939	75,983	1,290,310	2,733,027
2015-16	625,017	404,738	198,735	14,112	79,940	74,373	1,301,613	2,698,528

Note: This table is designed to show ten years of data. However, information prior to 2015-16 is unavailable.

Table 2

**Town of Louisa, 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		
2021-22	\$ 1,287,290	\$ 73,157	\$ 4,399	\$ 375,876	\$ 1,321,621	\$ 17,253	\$ 38,736	\$ 171,062	\$ 3,289,394	
2020-21	1,176,423	63,627	760,601	343,777	1,241,090	16,948	26,198	235,504	3,864,168	
2019-20	1,164,762	85,234	30,000	333,002	1,076,403	47,567	14,832	80,972	2,832,772	
2018-19	1,025,227	90,472	-	330,095	1,074,971	54,126	20,666	37,723	2,633,280	
2017-18	1,256,893	60,415	-	320,279	1,013,358	35,610	41,230	33,886	2,761,671	
2016-17	1,912,405	86,015	-	288,976	1,013,077	23,473	27,421	32,310	3,383,677	
2015-16	1,073,158	63,913	139,179	232,901	992,498	23,035	19,739	30,242	2,574,665	

Note: This table is designed to show ten years of data. However, information prior to 2015-16 is unavailable.

Table 3

**Town of Louisa, Virginia
General Governmental Expenditures by Function (1,2)
Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2022	\$ 620,559	\$ 457,108	\$ 247,724	\$ 12,046	\$ -	\$ 112,193	\$ 1,449,630
2021	645,957	493,847	223,380	13,058	-	71,761	1,448,003
2020	589,622	487,126	245,284	25,219	-	197,143	1,544,394
2019	537,502	491,931	239,680	16,817	-	197,043	1,482,973
2018	588,931	621,392	226,734	15,843	1,201,371	107,535	2,761,806
2017	572,591	492,345	225,201	16,135	-	104,244	1,410,516
2016	568,619	419,619	195,188	14,858	-	105,413	1,303,697

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.

(1) Includes General, Capital Projects, and Special Revenue Funds of the Primary Government.

(2) Excludes expenditures for capital projects.

Table 4

Town of Louisa, Virginia
General Governmental Revenues by Source (1,2)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Inter-governmental	Total
2022	\$ 353,288	\$ 1,321,621	\$ 4,819	\$ 16,219	\$ 12,426	\$ 8,145	\$ 38,736	\$ 244,219	\$ 1,999,473
2021	342,695	1,241,090	3,158	11,091	11,854	8,602	26,198	299,131	1,943,819
2020	336,844	1,076,403	5,095	4,811	17,903	7,341	14,832	166,206	1,629,435
2019	316,859	1,074,971	2,250	11,985	17,431	7,651	20,666	128,195	1,580,008
2018	326,995	1,013,358	8,210	9,710	18,290	7,721	41,230	94,301	1,519,815
2017	281,532	1,013,077	902	9,784	15,354	8,281	27,421	87,845	1,444,196
2016	275,741	992,498	584	4,098	14,430	8,392	19,739	220,217	1,535,699

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Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.

(1) Includes General and Special Revenue funds of the Primary Government.

(2) Excludes Capital projects fund.

Table 5

Town of Louisa, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2022	\$ 371,870	\$ 342,423	92.08%	\$ 6,055	348,478	93.71%	\$ 58,082	15.62%
2021	339,233	323,962	95.50%	12,423	336,385	99.16%	39,507	11.65%
2020	329,087	300,918	91.44%	20,463	321,381	97.66%	41,210	12.52%
2019	350,910	320,484	91.33%	12,117	332,601	94.78%	44,566	12.70%
2018	331,821	304,246	91.69%	32,953	337,199	101.62%	34,037	10.26%
2017	320,774	291,128	90.76%	8,276	299,404	93.34%	46,225	14.41%
2016	310,974	287,623	92.49%	6,924	294,547	94.72%	35,934	11.56%

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.

(1) Exclusive of penalties, interest and land redemptions.

(2) Tax levy and collections include the Commonwealth's personal property tax relief revenues.

Table 6

Town of Louisa, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Mobile Homes	Public Service (2)	Total
2022	\$ 171,217,201	\$ 16,841,053	\$ 175,760	\$ 47,400	\$ 6,002,365	\$ 194,283,779
2021	158,321,893	14,698,326	179,150	48,000	4,939,339	178,186,708
2020	150,724,796	14,680,689	193,025	48,000	4,152,919	169,799,429
2019	146,289,060	15,011,351	187,030	48,000	4,877,641	166,413,082
2018	137,433,800	14,225,936	183,840	33,300	4,917,416	156,794,292
2017	136,739,800	12,839,571	163,580	28,300	4,950,311	154,721,562
2016	133,682,238	11,797,815	161,410	23,000	4,765,586	150,430,049

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.

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

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

Table 7

**Town of Louisa, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utility	
					Real Estate	Personal Property
2022	\$ 0.1635	\$ 0.71	\$ 0.71	\$ 0.1635	\$ 0.1635	\$ 0.71
2021	0.1635	0.71	0.71	0.1635	0.1635	0.71
2020	0.1635	0.71	0.71	0.1635	0.1635	0.71
2019	0.1635	0.71	0.71	0.1635	0.1635	0.71
2018	0.1635	0.71	0.71	0.1635	0.1635	0.71
2017	0.1635	0.71	0.71	0.1635	0.1635	0.71
2016	0.1635	0.71	0.71	0.1635	0.1635	0.71

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.
(1) Per \$100 of assessed value.

Table 8

Town of Louisa, 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 Payable from Enterprise Revenue			
2022	1,987	\$ 194,283,779	\$ 5,874,615	\$ 2,995,113	2,879,502	1.48%	1,449
2021	1,764	178,186,708	5,943,598	2,989,530	2,954,068	1.66%	1,675
2020	1,764	169,799,429	5,851,722	2,872,760	2,978,962	1.75%	1,689
2019	1,736	166,413,082	5,757,319	2,796,725	2,960,594	1.78%	1,705
2018	1,702	156,794,292	5,864,374	2,862,633	3,001,741	1.91%	1,764
2017	1,666	154,721,562	4,726,863	2,926,520	1,800,343	1.16%	1,081
2016	1,640	150,430,049	4,817,058	2,988,454	1,828,604	1.22%	1,115

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.

(1) Weldon Cooper Center for Public Service, 2010 Census count and 2011-2020 estimates.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans of the Governmental Activities. Excludes revenue bonds, capital leases, and compensated absences.

Table 9

Town of Louisa, Virginia
Computation of Legal Debt Margin
June 30, 2022

Assessed value of real property, January 1, 2021 (1)	<u>\$ 176,920,465</u>
Debt limit: 10% of assessed value	\$ 17,692,047
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 5,874,615
Less: Revenue bonds	<u>-</u>
Net general obligation bonds and loans	<u>\$ 5,874,615</u>
Legal debt limit	<u>\$ 11,817,432</u>

(1) Assessed value of real property, including public service corporations as of January 1, 2021.

(2) Includes bonded debt and long-term notes payable.

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COMPLIANCE

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

**To the Honorable Members of the Town Council
Town of Louisa
Louisa, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Louisa Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Louisa, Virginia's basic financial statements and have issued our report thereon dated September 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Louisa 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 Town of Louisa, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Louisa, 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Louisa, 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.

Robinson, Farnum, Cox Associates

Richmond, Virginia
September 22, 2022