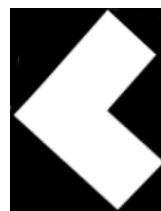


Town of LaCrosse, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



Creedle, Jones
& Associates, P.C.
Certified Public Accountants

Town of LaCrosse, Virginia

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of LaCrosse, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of LaCrosse, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of LaCrosse, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of LaCrosse, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

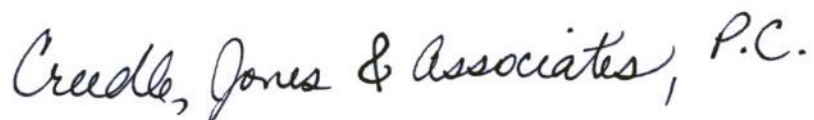
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 60-63, and 64-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022, on our consideration of the Town of LaCrosse, 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 LaCrosse, 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 the Town of LaCrosse, Virginia's internal control over financial reporting and compliance.



Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of LaCrosse, Virginia presents the following discussion and analysis as an overview of the Town of LaCrosse, Virginia's financial activities for the fiscal year ending June 30, 2021. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,621,361. Of this amount, \$211,481 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$542,598 with an unrestricted balance of \$336,090.
- The Town's total net position increased by \$70,304 during the current fiscal year. Of this amount, an increase of \$134,479 is related to governmental activities and a decrease of \$64,175 is attributed to business-type activities.
- As of June 30, 2021, the Town's Governmental Funds reported combined ending fund balances of \$158,931, an increase of \$58,152 in comparison with the prior year.
- At the end of fiscal year 2021, the general fund unassigned fund balance was \$132,441, or approximately 19.1% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Special Revenue Fund, all of which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 457,351	\$ 139,218	\$ 329,884	\$ 329,046	\$ 787,235	\$ 468,264
Capital assets (net)	1,713,057	1,584,446	206,508	264,808	1,919,565	1,849,254
Net pension asset	56,281	58,997	33,849	35,249	90,130	94,246
Total Assets	2,226,689	1,782,661	570,241	629,103	2,796,930	2,411,764
Deferred Outflows of Resources	30,638	24,270	10,935	13,080	41,573	37,350
Total Assets and Deferred Outflows of Resources	<u>\$ 2,257,327</u>	<u>\$ 1,806,931</u>	<u>\$ 581,176</u>	<u>\$ 642,183</u>	<u>\$ 2,838,503</u>	<u>\$ 2,449,114</u>
Liabilities						
Other liabilities	\$ 271,247	\$ 11,968	\$ 10,336	\$ 11,390	\$ 281,583	\$ 23,358
Long-term liabilities	325,023	272,011	24,085	22,484	349,108	294,495
Total Liabilities	596,270	283,979	34,421	33,874	630,691	317,853
Deferred Inflows of Resources	39,696	36,070	4,157	1,536	43,853	37,606
Net Position						
Net investment in capital assets	1,409,880	1,331,331	206,508	264,808	1,616,388	1,596,139
Unrestricted	211,481	155,551	336,090	341,965	547,571	497,516
Total Net Position	<u>1,621,361</u>	<u>1,486,882</u>	<u>542,598</u>	<u>606,773</u>	<u>2,163,959</u>	<u>2,093,655</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,257,327</u>	<u>\$ 1,806,931</u>	<u>\$ 581,176</u>	<u>\$ 642,183</u>	<u>\$ 2,838,503</u>	<u>\$ 2,449,114</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 92,582	\$ 76,353	\$ 327,102	\$ 325,591	\$ 419,684	\$ 401,944
Operating grants and contributions	413,667	95,140	-	-	413,667	95,140
General Revenues						
General property taxes, real and personal	125,378	122,390	-	-	125,378	122,390
Other taxes	129,562	118,763	-	-	129,562	118,763
Grants and contributions not restricted to specific programs	32,885	31,639	-	-	32,885	31,639
Unrestricted revenues from use of money and property	21,423	24,157	-	-	21,423	24,157
Miscellaneous	48,449	40,738	-	-	48,449	40,738
Total Revenues	863,946	509,180	327,102	325,591	1,191,048	834,771
Expenses						
General government administration	153,541	147,190	-	-	153,541	147,190
Public safety	204,670	173,779	-	-	204,670	173,779
Public works	136,846	103,922	-	-	136,846	103,922
Parks, recreation, and cultural	7,121	6,117	-	-	7,121	6,117
Community development	268,245	90,414	-	-	268,245	90,414
Water and sewer	-	-	341,737	330,613	341,737	330,613
Interest on long-term debt	8,584	8,573	-	-	8,584	8,573
Total Expenses	779,007	529,995	341,737	330,613	1,120,744	860,608
Increase (Decrease) in Net Position Before Transfers	84,939	(20,815)	(14,635)	(5,022)	70,304	(25,837)
Transfers	49,540	62,128	(49,540)	(62,128)	-	-
Increase (Decrease) in Net Position	134,479	41,313	(64,175)	(67,150)	70,304	(25,837)
Beginning Net Position	1,486,882	1,445,569	606,773	673,923	2,093,655	2,119,492
Ending Net Position	<u>\$1,621,361</u>	<u>\$ 1,486,882</u>	<u>\$ 542,598</u>	<u>\$ 606,773</u>	<u>\$ 2,163,959</u>	<u>\$ 2,093,655</u>

Governmental activities increased the Town's net position by \$134,479 for fiscal year 2021. Revenues from governmental activities totaled \$863,946. Operating grants and contributions comprise the largest source of these revenues, totaling \$413,667 or 47.9% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$779,007. Community development was the Town's largest program with expenses totaling \$268,245 or 34.4% of all governmental activities expenses.

Business-type activities decreased the Town's net position by \$64,175. Revenues from business-type activities totaled \$327,102 for the fiscal year ended June 30, 2021, compared to \$325,591 in the prior fiscal year. Expenses for the business-type activities totaled \$341,737 for the fiscal year ended June 30, 2021, compared to \$330,613 in the prior fiscal year.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>		<u>2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 153,541	\$ (153,541)	\$ 147,190	\$ (147,190)
Public safety	204,670	(88,927)	173,779	(154,704)
Public works	136,846	(12,343)	103,922	(35,830)
Parks, recreation, and cultural	7,121	(7,121)	6,117	(6,117)
Community development	268,245	(2,242)	90,414	(6,088)
Interest on long-term debt	<u>8,584</u>	<u>(8,584)</u>	<u>8,573</u>	<u>(8,573)</u>
Total	<u>\$ 779,007</u>	<u>\$ (272,758)</u>	<u>\$ 529,995</u>	<u>\$ (358,502)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$158,931. The combined governmental fund balance increased \$58,152 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$132,441. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 19.1% of total fund expenditures, while total fund balance represents 19.1% of that same amount.

- The Water and Sewer Fund contributed \$49,540 in operating funds to finance the General Fund's operations.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 118,000	\$ 118,000	\$ 124,676	\$ 118,000	\$ 118,000	\$ 117,728
Fines and forfeitures	8,700	8,700	19,014	8,700	8,700	9,075
Other	214,185	214,185	264,453	207,185	207,185	242,867
Intergovernmental	<u>28,100</u>	<u>28,100</u>	<u>180,549</u>	<u>27,100</u>	<u>27,100</u>	<u>42,453</u>
Total Revenues	368,985	368,985	588,692	360,985	360,985	412,123
Expenditures	<u>396,983</u>	<u>396,983</u>	<u>692,517</u>	<u>439,535</u>	<u>439,535</u>	<u>421,002</u>
Excess (Deficiency) of Revenues Over Expenditures	(27,998)	(27,998)	(103,825)	(78,550)	(78,550)	(8,879)
Other Financing Sources (Uses)						
Transfers in	<u>27,998</u>	<u>27,998</u>	<u>158,928</u>	<u>78,550</u>	<u>78,550</u>	<u>61,791</u>
Total	<u>27,998</u>	<u>27,998</u>	<u>158,928</u>	<u>78,550</u>	<u>78,550</u>	<u>61,791</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,912</u>

There were no budget amendments during the year.

Actual revenues were more than budget amounts by \$219,707, or 59.5%, while actual expenditures were \$295,534, or 74.4% more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the Town's governmental activities net capital assets total \$1,713,057, which represents a net increase of \$128,611 or 8.1% over the previous fiscal year-end balance. The business-type activities net capital assets total \$206,508, a decrease of \$58,300 or 22% over the previous fiscal year, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 69,776	\$ -	\$ 69,776
Buildings and improvements	1,458,266	-	1,458,266
Furniture, equipment, and vehicles	<u>1,179,856</u>	<u>97,798</u>	<u>1,277,654</u>
Total Capital Assets	2,707,898	97,798	2,805,696
Less: Accumulated depreciation and amortization	<u>(1,123,452)</u>	<u>30,813</u>	<u>(1,092,639)</u>
Total Capital Assets, Net	<u>\$ 1,584,446</u>	<u>\$ 128,611</u>	<u>\$ 1,713,057</u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Buildings and systems	\$ 2,243,051	\$ -	\$ 2,243,051
Furniture, equipment, and vehicles	<u>41,321</u>	<u>-</u>	<u>41,321</u>
Total Capital Assets	2,284,372	-	2,284,372
Less: Accumulated depreciation and amortization	<u>(2,019,564)</u>	<u>(58,300)</u>	<u>(2,077,864)</u>
Total Capital Assets, Net	<u>\$ 264,808</u>	<u>\$ (58,300)</u>	<u>\$ 206,508</u>

Long-Term Debt

As of June 30, 2021, the Town's long-term obligations total \$303,177.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
Long-term debt	<u>\$ 253,115</u>	<u>\$ 50,062</u>	<u>\$ 303,177</u>
 Total Governmental Activities and Primary Government	 <u>\$ 253,115</u>	 <u>\$ 50,062</u>	 <u>\$ 303,177</u>

More detailed information on the Town's long-term obligations is presented in Notes 9 and 20 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2022 budget.

The average unemployment rate for the Town of LaCrosse, Virginia in June 2021, which uses Mecklenburg County, Virginia's rate, was 5.1%. This compares unfavorably to the state's rate of 4.5% and favorably to the national rate of 6.1%.

The estimate in April 2020 by the University of Virginia Weldon Cooper Center is a population of 614.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the Town's operational cost. The Town's adopted fiscal year 2022 budgeted revenues for the general fund are \$471,895.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Tina S. Hudson, Clerk/Treasurer, Town of LaCrosse, Virginia, 115 South Main Street, LaCrosse, Virginia 23950, telephone 434-757-7366.

BASIC FINANCIAL STATEMENTS

Town of LaCrosse, Virginia

Statement of Net Position

At June 30, 2021

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 710,425	\$ -	\$ 710,425
Receivables	27,173	49,637	76,810
Internal balances	(280,247)	280,247	-
Capital Assets			
Land	69,776	-	69,776
Other capital assets, net of accumulated depreciation	1,643,281	206,508	1,849,789
Capital Assets, Net	1,713,057	206,508	1,919,565
Other Assets			
Net pension asset	56,281	33,849	90,130
Total Assets	2,226,689	570,241	2,796,930
Deferred Outflows of Resources			
Pension	21,229	10,935	32,164
OPEB	9,409	-	9,409
Total Deferred Outflows of Resources	30,638	10,935	41,573
Total Assets and Deferred Outflows of Resources	<u>\$ 2,257,327</u>	<u>\$ 581,176</u>	<u>\$ 2,838,503</u>
Liabilities			
Accounts payable and accrued expenses	\$ 10,103	\$ 10,336	\$ 20,439
Customer deposits	-	24,085	24,085
Unearned grants - ARPA	261,144	-	261,144
Long-Term Liabilities			
OPEB liability	21,846	-	21,846
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	65,124	-	65,124
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	238,053	-	238,053
Total Liabilities	596,270	34,421	630,691
Deferred Inflows of Resources			
Pension	8,070	4,157	12,227
OPEB	31,626	-	31,626
Total Deferred Inflows of Resources	39,696	4,157	43,853
Net Position			
Net investment in capital assets	1,409,880	206,508	1,616,388
Unrestricted	211,481	336,090	547,571
Total Net Position	1,621,361	542,598	2,163,959
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,257,327</u>	<u>\$ 581,176</u>	<u>\$ 2,838,503</u>

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

Town of LaCrosse, Virginia

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities
Primary Government					
Governmental Activities					
General government administration	\$ 153,541	\$ -	\$ -	\$ (153,541)	\$ (153,541)
Public safety	204,670	19,014	96,729	(88,927)	(88,927)
Public works	136,846	73,568	50,935	(12,343)	(12,343)
Parks, recreation, and cultural	7,121	-	-	(7,121)	(7,121)
Community development	268,245	-	266,003	(2,242)	(2,242)
Interest on long-term debt	8,584	-	-	(8,584)	(8,584)
Total Governmental Activities	779,007	92,582	413,667	(272,758)	(272,758)
Business-Type Activities					
Water and Sewer Fund	341,737	327,102	-		\$ (14,635)
Total Business-Type Activities	341,737	327,102	-		(14,635)
Total Primary Government	\$ 1,120,744	\$ 419,684	\$ 413,667		(14,635)
					(287,393)
General Revenues					
Taxes					
General property taxes, real and personal				125,378	-
Other local taxes				129,562	-
Grants and contributions not restricted to specific programs				32,885	-
Unrestricted revenues from use of money and property				21,423	-
Miscellaneous				48,449	-
Transfers				49,540	(49,540)
Total General Revenues and Transfers				407,237	(49,540)
Change in Net Position				134,479	(64,175)
Net Position - Beginning of Year				1,486,882	606,773
Net Position - End of Year				\$ 1,621,361	\$ 542,598
					\$ 2,163,959

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

Town of LaCrosse, Virginia

Balance Sheet

Governmental Funds

At June 30, 2021

	<u>General Fund</u>	<u>Capital Project CDBG Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 683,935	\$ 21	\$ 26,469	\$ 710,425
Property taxes receivable, net	<u>27,173</u>	<u>-</u>	<u>-</u>	<u>27,173</u>
Total Assets	<u>\$ 711,108</u>	<u>\$ 21</u>	<u>\$ 26,469</u>	<u>\$ 737,598</u>
Liabilities				
Accounts payable	\$ 8,399	\$ -	\$ -	\$ 8,399
Accrued liabilities	1,704	-	-	1,704
Due to other funds	280,247	-	-	280,247
Unearned grants - ARPA	<u>261,144</u>	<u>-</u>	<u>-</u>	<u>261,144</u>
Total Liabilities	551,494	-	-	551,494
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>27,173</u>	<u>-</u>	<u>-</u>	<u>27,173</u>
Total Deferred Inflows of Resources	27,173	-	-	27,173
Fund Balance				
Restricted	-	21	-	21
Assigned	-	-	26,469	26,469
Unassigned	<u>132,441</u>	<u>-</u>	<u>-</u>	<u>132,441</u>
Total Fund Balance	<u>132,441</u>	<u>21</u>	<u>26,469</u>	<u>158,931</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 711,108</u>	<u>\$ 21</u>	<u>\$ 26,469</u>	<u>\$ 737,598</u>

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

Town of LaCrosse, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2021

Total Fund Balances for Governmental Funds	\$	158,931
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	69,776
Buildings and improvements, net of accumulated depreciation		1,089,003
Furniture, equipment, and vehicles, net of accumulated depreciation		<u>554,278</u>
Total Capital Assets		1,713,057
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		27,173
Deferred outflows and inflows of resources related to pensions and OPEB liabilities applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		30,638
Deferred inflows of resources related to pensions		(8,070)
Deferred inflows of resources related to OPEB		<u>(31,626)</u>
Total Deferred Outflows and Inflows of Resources		(9,058)
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable		(303,177)
OPEB		(21,846)
Pension		<u>56,281</u>
Total		<u>(268,742)</u>
Total Net Position of Governmental Activities	\$	<u><u>1,621,361</u></u>

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

Town of LaCrosse, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Project CDBG Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 124,676	\$ -	\$ -	\$ 124,676
Other local taxes	129,562	-	-	129,562
Fines and forfeitures	19,014	-	-	19,014
Use of money and property	12,874	-	8,549	21,423
Charges for services	73,568	-	-	73,568
Miscellaneous	48,449	-	-	48,449
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	48,820	-	-	48,820
Revenue from the Federal Government	<u>131,729</u>	<u>266,003</u>	<u>-</u>	<u>397,732</u>
Total Revenues	588,692	266,003	8,549	863,244
Expenditures				
Current				
General government administration	151,279	-	-	151,279
Public safety	254,192	-	-	254,192
Public works	215,273	-	-	215,273
Parks, recreation, and cultural	1,621	-	5,500	7,121
Community development	2,130	266,115	-	268,245
Debt service	<u>68,022</u>	<u>-</u>	<u>-</u>	<u>68,022</u>
Total Expenditures	<u>692,517</u>	<u>266,115</u>	<u>5,500</u>	<u>964,132</u>
Excess (Deficiency) of Revenues Over Expenditures	(103,825)	(112)	3,049	(100,888)
Other Financing Sources (Uses)				
Proceeds of loans	109,500	-	-	109,500
Transfers (to) other funds	(112)	-	-	(112)
Transfers from other funds	<u>49,540</u>	<u>112</u>	<u>-</u>	<u>49,652</u>
Total Other Financing Sources (Uses)	<u>158,928</u>	<u>112</u>	<u>-</u>	<u>159,040</u>
Net Change in Fund Balance	55,103	-	3,049	58,152
Fund Balance - Beginning of Year	<u>77,338</u>	<u>21</u>	<u>23,420</u>	<u>100,779</u>
Fund Balance - End of Year	<u>\$ 132,441</u>	<u>\$ 21</u>	<u>\$ 26,469</u>	<u>\$ 158,931</u>

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

Town of LaCrosse, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	58,152
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Amounts reported for governmental activities in the Statement of Activities are different because:

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 as depreciation expense.

Capitalized assets	\$	222,839	
Depreciation		<u>(94,228)</u>	128,611

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statement but recognized in the Statement of Activities.

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Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Proceeds of debt	(109,500)	
Repayments on debt	<u>59,438</u>	
Net Adjustment		(50,062)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension/OPEB expense.

Change in net pension liability and related inflows and outflows	(6,874)	
Change in OPEB liability and related inflows and outflows	<u>3,950</u>	
		<u>(2,924)</u>

Change in Net Position of Governmental Activities	\$	<u><u>134,479</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of LaCrosse, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2021

**Business-Type
Activities -
Enterprise Funds
Water and
Sewer Fund**

Assets**Current Assets**

Due from other funds	\$ 280,247
Accounts receivable	<u>49,637</u>

Total Current Assets 329,884

Capital Assets, net

206,508

Other Asset -Pension33,849

Total Assets 570,241

Deferred Outflows of Resources - Pension10,935

Total Assets and Deferred Outflows of Resources \$ 581,176

Liabilities**Current Liabilities**

Accounts payable	\$ 10,336
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Noncurrent Liabilities

Customer deposits	<u>24,085</u>
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Total Liabilities 34,421

Deferred Inflows of Resources - Pension

4,157

Net Position

Net investment in capital assets	206,508
Unrestricted	<u>336,090</u>

Total Net Position 542,598

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 581,176

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

Town of LaCrosse, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 327,102
Total Operating Revenues	327,102
Operating Expenses	
Water purchased	74,660
Water salaries and related fringes	65,430
Sewer treatment and expansion	95,751
Other water and sewer	47,596
Depreciation	58,300
Total Operating Expenses	341,737
Operating Loss	(14,635)
Loss Before Operating Transfers	(14,635)
Operating Transfers Out	(49,540)
Change in Net Position	(64,175)
Total Net Position - Beginning of Year	606,773
Total Net Position - End of Year	\$ 542,598

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

Town of LaCrosse, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2021

**Business-Type
Activities -
Enterprise Funds
Water and
Sewer Fund**

Cash Flows from Operating Activities

Receipts from customers	\$ 327,865
Payments to employees and related fringe benefits	(59,264)
Payments to suppliers	<u>(219,061)</u>
Net Cash Provided by Operating Activities	<u>49,540</u>

Cash Flows from Noncapital Financing Activities

Payments made as interfund transfers	<u>(49,540)</u>
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Net Cash Used in Noncapital Financing Activities	<u>(49,540)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	-
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Cash - Beginning of Year	<u>-</u>
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Cash - End of Year	<u><u>\$ -</u></u>
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**Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities**

Operating loss	\$ (14,635)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</i>	
Depreciation expense	58,300
<i>Changes in assets and liabilities</i>	
Receivables, net	(838)
Customer water deposits	1,601
Accounts payable and accrued expenses	(1,054)
Net pension asset	1,400
Deferred outflows - pension	2,145
Deferred inflows - pension	<u>2,621</u>

Net Cash Provided by Operating Activities	<u><u>\$ 49,540</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of LaCrosse, Virginia

Notes to the Financial Statements

Year Ended June 30, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of LaCrosse, Virginia (the "Town") is located in the Southside area in Southeastern Virginia. The Town is governed by an appointed Town Manager, an elected Mayor, and a six-member Town Council with each serving administrative and legislative functions.

The Town of LaCrosse, Virginia is governed under the Town Executive – Town Council form of government. The Town of LaCrosse, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of LaCrosse, Virginia (the primary government).

Exclusions from the Reporting Entity

Jointly Governed Organization

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization. The Town of LaCrosse, Virginia contributed \$1,980 in fiscal year 2021 to Mecklenburg-Brunswick Airport Commission.

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

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 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68– *Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75– *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - **General Fund** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.
 - *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
 - CDBG Fund – This fund accounts for community development block grant funds being used for various CDBG projects in the Town.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation, and cultural, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, parks, recreation, and cultural, etc.) or a business-type activity.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the 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 expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There is no allowance at this time.

Real and Personal Property Tax Data

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

Real Property Personal Property

Due Date	January 1	January 1
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The Town bills and collects its own property taxes.

A five percent penalty is levied on all taxes not collected on or before their due date.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 to 50 years
Furniture and other equipment	3 to 10 years
Vehicles	5 to 25 years
Infrastructure	15 to 50 years

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The Town does not accrue compensated absences (annual leave benefits) at this time because of the immaterial amount of these benefits.

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

1-E-9 Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net 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.

1-E-10 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings.

1-E-13 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-14 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-15 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-16 Adoption of New GASB Statements

During the fiscal year ended June 30, 2021, the Town did not adopt any new GASB statements.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the Cemetery Fund by \$5,500.

Fund Deficits

There were no fund deficits as of June 30, 2021.

3 Deposits and Investments

Deposits

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

Investments

Statutes authorize the 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, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The Town of LaCrosse, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Carrying Amount</u>		
Petty cash	\$		40
Deposit accounts			<u>710,385</u>
Total Cash and Cash Equivalents	\$		<u><u>710,425</u></u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ <u>710,425</u>	\$ <u>-</u>	\$ <u>710,425</u>
Total	\$ <u><u>710,425</u></u>	\$ <u><u>-</u></u>	\$ <u><u>710,425</u></u>

4 Receivables

Receivables at June 30, 2021 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
		<u>Water and Sewer</u>	
Property taxes	\$ 27,173	\$ -	\$ 27,173
Water and sewer	<u>-</u>	<u>49,637</u>	<u>49,637</u>
Total Receivables	\$ <u><u>27,173</u></u>	\$ <u><u>49,637</u></u>	\$ <u><u>76,810</u></u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
From Water and Sewer Fund for operating costs	\$ -	\$ 49,540
To CDBG Fund for operating costs	112	-
CDBG Fund		
From General Fund for operating costs	-	112
Water and Sewer Fund		
To General Fund for operating costs	<u>49,540</u>	<u>-</u>
Total Transfers	<u>\$ 49,652</u>	<u>\$ 49,652</u>

6 Interfund Receivables and Payables

Details of the primary government interfund receivables and payables as of June 30, 2021 are as follows:

	<u>Due to</u>	<u>Due from</u>
Primary Government		
General Fund		
Due to Water Fund	\$ 280,247	\$ -
Water and Sewer Fund		
Due from General Fund	<u>-</u>	<u>280,247</u>
Total Due To/Due From's	<u>\$ 280,247</u>	<u>\$ 280,247</u>

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 69,776	\$ -	\$ -	\$ 69,776
Total Capital Assets Not Being Depreciated	69,776	-	-	69,776
Other Capital Assets				
Buildings and improvements	1,458,266	-	-	1,458,266
Furniture, equipment, and vehicles	1,179,856	222,839	125,041	1,277,654
Total Other Capital Assets	2,638,122	222,839	125,041	2,735,920
Less: Accumulated depreciation for				
Buildings and improvements	325,294	43,969	-	369,263
Furniture, equipment, and vehicles	798,158	50,259	125,041	723,376
Total Accumulated Depreciation	1,123,452	94,228	125,041	1,092,639
Other Capital Assets, Net	1,514,670	128,611	-	1,643,281
Net Capital Assets	\$ 1,584,446	\$ 128,611	\$ -	\$ 1,713,057

Depreciation expense was allocated as follows:

Public safety	\$ 38,252
Public works	55,976
Total Depreciation Expense	\$ 94,228

Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Other Capital Assets				
Buildings and systems	2,243,051	-	-	2,243,051
Furniture, equipment, and vehicles	41,321	-	-	41,321
Total Other Capital Assets	2,284,372	-	-	2,284,372
Less: Accumulated depreciation for				
Buildings and systems	1,978,245	58,300	-	2,036,545
Furniture, equipment, and vehicles	41,319	-	-	41,319
Total Accumulated Depreciation	2,019,564	58,300	-	2,077,864
Other Capital Assets, Net	264,808	(58,300)	-	206,508
Net Capital Assets	<u>\$ 264,808</u>	<u>\$ (58,300)</u>	<u>\$ -</u>	<u>\$ 206,508</u>
Depreciation expense was allocated to water/sewer		<u>\$ 58,300</u>		

8 Compensated Absences

Each Town employee earns vacation based on various years of service. A maximum of 240 hours may be accumulated and is paid upon termination at the current rate of pay. Sick leave is earned at 8 hours a month and none is paid upon termination. No provision has been booked for compensated absences due to lack of materiality.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 65,124	\$ 8,077
2023	60,677	6,292
2024	30,978	5,042
2025	31,912	4,109
2026	30,140	3,160
2027-2031	84,346	4,154
Total	<u>\$303,177</u>	<u>\$ 30,834</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Promissory note dated November 13, 2012 for \$247,000 to First Citizens Bank & Trust Co. with annual payments of \$21,644.54 for 15 years at 3.63% interest for a 2012 Kenworth Tanker Fire Truck and related equipment that is collateral for the loan.	\$ 151,542	\$ -	\$ 16,665	\$ 134,877	\$ 16,864
Promissory note dated October 16, 2020 for \$87,500 to USDA Rural Development with monthly payments of \$811.00 for 10 years at 2.125% interest for a garbage truck.	-	87,500	5,282	82,218	8,063
Promissory note dated November 13, 2020 for \$22,000 to USDA Rural Development with monthly payments of \$387.00 for 5 years at 2.125% interest for a garbage truck.	-	22,000	2,449	19,551	4,270
Promissory note dated October 16, 2014 for \$287,383.67 to Benchmark Community Bank with payments of \$3,098.36 monthly for 8.5 years with an interest rate of 2.50%. This is an unsecured loan.	101,573	-	35,042	66,531	35,927
Total Governmental Activities and Primary Government	<u>\$ 253,115</u>	<u>\$ 109,500</u>	<u>\$ 59,438</u>	<u>\$ 303,177</u>	<u>\$ 65,124</u>

10 **Net Investment in Capital Assets**

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2021 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u> <u>Primary</u> <u>Government</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 2,805,696	\$ 2,284,372	\$ 5,090,068
Less: Accumulated depreciation	<u>(1,092,639)</u>	<u>(2,077,864)</u>	<u>(3,170,503)</u>
Book value	1,713,057	206,508	1,919,565
Less: Capital related debt	<u>(303,177)</u>	<u>-</u>	<u>(303,177)</u>
Net Investment in Capital Assets	<u>\$ 1,409,880</u>	<u>\$ 206,508</u>	<u>\$ 1,616,388</u>

11 Deferred Inflows of Resources and Unearned Revenue

Deferred inflows of resources and unearned revenues are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources

Delinquent taxes not collected within 60 days	\$ 27,173
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Total Deferred Inflows of Resources	\$ 27,173
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Unearned Revenues

Unearned grant revenue - ARPA	\$ 261,144
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Total Unearned Revenues	\$ 261,144
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12 Risk Management

The Town carries commercial insurance for risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

The Cincinnati Insurance Company

Clerk/Treasurer - Tina S. Hudson	\$ 100,000
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13 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

14 Litigation

At June 30, 2021, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

15 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 27,201,200</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 2,720,120
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>303,177</u>
Legal Debt Margin - June 30, 2021	<u>\$ 2,416,943</u>

Note: Includes all long-term general obligation bonded debt.

16 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component 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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	1
Non-vested inactive members	1
LTD	0
Inactive members active elsewhere in VRS	<u>2</u>
Total inactive members	4
Active members	<u>4</u>
Total covered employees	<u>11</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 as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The Town of LaCrosse, Virginia's contractually required contribution rate for the year ended June 30, 2021 was .63% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of LaCrosse, Virginia were \$919 and \$1,375 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of LaCrosse, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019 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, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, 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. From July 1, 2020 on, participating employers 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

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 331,970	\$ 426,216	\$ (94,246)
Changes for the Year			
Service cost	14,617	-	14,617
Interest	21,855	-	21,855
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(17,003)	-	(17,003)
Contributions - employer	-	950	(950)
Contributions - employee	-	6,533	(6,533)
Net investment income	-	8,159	(8,159)
Benefit payments, including refunds	(16,380)	(16,380)	-
Administrative expenses	-	(279)	279
Other changes	-	(10)	10
Net Changes	3,089	(1,027)	4,116
Balances at June 30, 2020	<u>\$ 335,059</u>	<u>\$ 425,189</u>	<u>\$ (90,130)</u>

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

The following presents the net pension liability of the Town of LaCrosse, Virginia using the discount rate of 6.75%, as well as what the Town of LaCrosse, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
	<u>5.75%</u>	<u>Rate 6.75%</u>	<u>7.75%</u>
Political subdivision's Net Pension Liability	\$ (47,376)	\$ (90,130)	\$ (125,612)

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

For the year ended June 30, 2021 the Town of LaCrosse, Virginia recognized pension expense of \$13,534. At June 30, 2021 the Town of LaCrosse, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,376	\$ 12,227
Change in assumptions	4,150	-
Net difference between projected and actual earnings on pension plan investments	12,719	-
Employer contributions subsequent to the measurement date	<u>919</u>	<u>-</u>
Total	<u>\$ 32,164</u>	<u>\$ 12,227</u>

\$919 reported as deferred outflows of resources related to pensions resulting from the Town of LaCrosse, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30,**

2022	\$ 6,925
2023	6,403
2024	1,629
2025	4,061
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

17 OPEB Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program (LODA) include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- **Death:** The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance:** The Line of Duty Act program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$717 and \$706 for the years ended June 30, 2021 and June 30, 2020, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2021, the entity reported a liability of \$21,736 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability

was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion .00519% as compared to .00526% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$(3,206). Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,307	\$ 2,963
Net difference between projected and actual earnings on LODA OPEB program investments	-	31
Change in assumptions	5,819	1,355
Changes in proportionate share	-	27,141
Employer contributions subsequent to the measurement date	<u>717</u>	<u>-</u>
Total	<u>\$ 8,843</u>	<u>\$ 31,490</u>

\$717 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$ (4,686)
2023	(4,681)
2024	(4,675)
2025	(4,673)
2026	(4,671)
Thereafter	22

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption -	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	<u>4,333</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 418,814</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease 1.21%	Current Discount Rate 2.21%	1.00% Increase 3.21%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 25,801	\$ 21,736	\$ 18,673

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease 6.00% decreasing to 3.75%	Health Care Trend Rates 7.00% decreasing to 4.75%	1.00% Increase 8.00% increasing to 5.75%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 17,966	\$ 21,736	\$ 26,668

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 OPEB Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by § 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021, was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions

from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$357 and \$295 for the years ended June 30, 2021, and June 30, 2020, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2021, the political subdivision reported a liability of \$110 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2020, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .01100% as compared to .00112% at June 30, 2019.

For the year ended June 30, 2021, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$329. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89	\$ 129
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	12	-
Change in assumptions	5	7
Changes in proportionate share	103	-
Employer contributions subsequent to the measurement date	<u>357</u>	<u>-</u>
Total	<u>\$ 566</u>	<u>\$ 136</u>

\$357 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$	23
2023		23
2024		23
2025		22
2026		(4)
Thereafter		(14)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation - Political subdivision employees	3.50% - 5.95%
Investment rate of return	6.75%, including inflation*

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

Mortality rates – Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision Employee VLDP OPEB Liability	\$	4,317
Plan Fiduciary Net Position		<u>3,317</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u><u>1,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		76.84%

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

Long-Term Expected Rate of Return

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

<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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability	\$ 147	\$ 110	\$ 77

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Fund Balances – Governmental Funds

As of June 30, 2021, fund balances are composed of the following:

<u>Fund</u>	<u>Assigned</u>	<u>Amount</u>
Cemetery	Subsequent years' appropriations	<u>\$ 26,469</u>

<u>Fund</u>	<u>Restricted</u>	<u>Amount</u>
CDBG Fund	Subsequent years' appropriations	<u>\$ 21</u>

20 Long-Term Commitments

The Town of LaCrosse, Virginia has entered into agreements with the Town of South Hill, Virginia for wastewater treatment capacity. In lieu of signing notes for financing the treatment facility, the Towns negotiated a rate that consists of two payment components. First, there is a flat monthly charge of \$1,456 based on the allotted capacity of the plant. This amount is due until January of 2035. Secondly, there is a variable monthly charge based on consumption. Collectively, the two payments are recorded in the water and sewer funds as sewer treatment expenses.

Long-Term Commitment to the Town of South Hill, Virginia for Operating Agreement

<u>Year(s) Ended June 30,</u>	<u>Water and Sewer Fund Annual Payments</u>
2022	\$ 17,471
2023	17,471
2024	17,471
2025	17,471
2026	17,471
2027-2031	87,355
2032-2035	<u>61,146</u>
Total	<u>\$ 235,856</u>

There are 162 payments left as of June 30, 2021 for \$1,455.90 per month.

21 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through January 17, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Town of LaCrosse, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund				
Revenues				
General Property Taxes				
Real estate and personal property taxes	\$ 118,000	\$ 118,000	\$ 124,676	\$ 6,676
Total General Property Taxes	118,000	118,000	124,676	6,676
Other Local Taxes				
Local sales and use taxes	60,000	60,000	69,617	9,617
Motor vehicle licenses	6,000	6,000	6,650	650
Utility taxes and consumption taxes	13,500	13,500	13,226	(274)
Business license taxes	30,000	30,000	36,966	6,966
Meals tax	-	-	3,103	3,103
Total Other Local Taxes	109,500	109,500	129,562	20,062
Revenue from Use of Money and Property				
Rent - water tank antenna	15,440	15,440	12,600	(2,840)
Interest income	-	-	274	274
Total Revenue from Use of Money and Property	15,440	15,440	12,874	(2,566)
Charges for Services - Garbage Fees				
Garbage fees	65,000	65,000	73,568	8,568
Total Charges for Services - Garbage Fees	65,000	65,000	73,568	8,568
Fines and Forfeitures				
	8,700	8,700	19,014	10,314
Miscellaneous				
Office expense refund	600	600	15,044	14,444
Miscellaneous and other refunds	2,000	2,000	11,760	9,760
Fire department loan reimbursement	21,645	21,645	21,645	-
Total Miscellaneous	24,245	24,245	48,449	24,204

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Intergovernmental

Revenue from the Commonwealth of Virginia

Noncategorical Aid

Communications tax	11,000	11,000	9,257	(1,743)
Mobile home tax	-	-	75	75
Games of Skill tax	-	-	1,440	1,440
Law enforcement grant	16,000	16,000	16,720	720
Personal Property Tax Relief Act (PPTRA)	-	-	5,393	5,393
Subtotal - noncategorical aid	27,000	27,000	32,885	5,885

Categorical Aid

Fire program	-	-	15,000	15,000
Litter prevention	1,100	1,100	935	(165)
Total Revenue from the Commonwealth of Virginia	28,100	28,100	48,820	20,720

Revenue from the Federal Government

USDA Grant Money- Garbage Truck	-	-	50,000	50,000
USDA Grant Money- Police SUV	-	-	25,000	25,000
CARES income	-	-	56,729	56,729
Total Revenue from the Federal Government	-	-	131,729	131,729

Total Intergovernmental Revenue	28,100	28,100	180,549	152,449
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Total Revenues	368,985	368,985	588,692	219,707
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Expenditures

Current

General Government Administration

Town council and manager	-	-	2,650	(2,650)
Salaries	72,300	72,300	62,485	9,815
Health insurance	32,000	32,000	23,974	8,026
Payroll taxes	11,000	11,000	13,440	(2,440)
Retirement	4,000	4,000	1,660	2,340
Legal and accounting	8,000	8,000	7,125	875
Insurance and bonds	28,000	28,000	28,315	(315)
Office supplies and postage	10,000	10,000	9,941	59
Miscellaneous	2,500	2,500	1,313	1,187
Advertising	1,000	1,000	376	624
Total General Government Administration	168,800	168,800	151,279	17,521

Public Safety

Police Department

Salaries	20,000	20,000	19,959	41
Police SUV	-	-	47,253	(47,253)
Police department expenses	42,000	42,000	55,238	(13,238)
Total Police Department	62,000	62,000	122,450	(60,450)

Southside Rescue Squad	2,400	2,400	2,400	-
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Cares Expenses

Cares expenses	-	-	56,677	(56,677)
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Fire Department Expenses

Other fire department expenses	76,500	76,500	72,665	3,835
Total Fire Department	76,500	76,500	72,665	3,835
Total Public Safety	140,900	140,900	254,192	(113,292)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Public Works</i>				
Miscellaneous	3,481	3,481	1,983	1,498
Uniforms	1,800	1,800	2,055	(255)
Motor upkeep and fuel	15,000	15,000	16,121	(1,121)
New equipment and/or major repairs	14,722	14,722	628	14,094
Electricity	25,000	25,000	17,659	7,341
Telephone	-	-	5,627	(5,627)
Capital outlay - new garbage truck	-	-	136,695	(136,695)
Town upkeep	21,000	21,000	34,505	(13,505)
Total Public Works	81,003	81,003	215,273	(134,270)
<i>Parks, Recreation, and Cultural</i>				
Rails to Trails	500	500	500	-
Parks and recreation	1,000	1,000	1,121	(121)
Total Parks, Recreation, and Cultural	1,500	1,500	1,621	(121)
<i>Community Development</i>				
Mecklenburg-Brunswick Regional Airport	1,980	1,980	1,980	-
Lake Country Area on Aging	2,800	2,800	-	2,800
LaCrosse Hotel revitalization expense including land	-	-	125	(125)
Friends of LaCrosse	-	-	25	(25)
Total Community Development	4,780	4,780	2,130	2,650
<i>Debt Service</i>	-	-	68,022	(68,022)
Total Expenditures	396,983	396,983	692,517	(295,534)
Excess (Deficiency) of Revenues Over Expenditures	(27,998)	(27,998)	(103,825)	(75,827)
Other Financing Sources (Uses)				
Proceeds from loans	-	-	109,500	109,500
Transfers (to) other funds	-	-	(112)	(112)
Transfers from other funds	27,998	27,998	49,540	21,542
Total Other Financing Sources (Uses)	27,998	27,998	158,928	130,930
Net Change in Fund Balance	\$ -	\$ -	55,103	\$ 55,103
Fund Balance - Beginning of Year			77,338	
Fund Balance - End of Year			\$ 132,441	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cemetery Fund				
Revenues				
Revenue from Use of Money and Property				
Sale of lots	\$ -	\$ -	\$ 8,400	\$ 8,400
Interest income	-	-	149	149
Total Revenue from Use of Money and Property	-	-	8,549	8,549
Charges for Services				
Cemetery maintenance income	-	-	-	-
Total Revenues	-	-	8,549	8,549
Expenditures				
Current				
<i>Parks, Recreation, and Cultural</i>				
Cemetery maintenance	-	-	5,500	(5,500)
Total Parks, Recreation, and Cultural	-	-	5,500	(5,500)
Total Expenditures	-	-	5,500	(5,500)
Excess (Deficiency) of Revenues Over Expenditures	-	-	3,049	3,049
Other Financing Sources (Uses)				
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	3,049	<u>\$ 3,049</u>
Fund Balance - Beginning of Year			<u>23,420</u>	
Fund Balance - End of Year			<u>\$ 26,469</u>	

Town of LaCrosse, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 14,617	\$ 18,539	\$ 17,228	\$ 15,709	\$ 20,058	\$ 20,082	\$ 19,277
Interest	21,855	18,502	16,631	16,477	14,751	13,126	11,584
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(17,003)	29,550	7,847	(12,599)	(3,311)	(195)	-
Changes of assumptions	-	9,062	-	(8,201)	-	-	-
Benefit payments	(16,380)	(15,990)	(13,979)	(4,380)	(9,306)	(10,304)	(7,355)
Net change in total pension liability	3,089	59,663	27,727	7,006	22,192	22,709	23,506
Total pension liability - beginning	331,970	272,307	244,580	237,574	215,382	192,673	169,167
Total pension liability - ending (a)	\$ 335,059	\$ 331,970	\$ 272,307	\$ 244,580	\$ 237,574	\$ 215,382	\$ 192,673
 Plan fiduciary net position							
Contributions - employer	\$ 950	\$ 1,192	\$ 4,147	\$ 3,847	\$ 6,368	\$ 7,875	\$ 13,330
Contributions - employee	6,533	6,159	6,821	6,328	6,968	8,616	8,545
Net investment income	8,159	27,035	28,410	41,538	5,694	14,484	41,198
Benefit payments	(16,380)	(15,990)	(13,979)	(4,380)	(9,306)	(10,304)	(7,355)
Administrator charges	(279)	(270)	(243)	(229)	(200)	(188)	(206)
Other	(10)	(17)	(25)	(37)	(2)	(4)	2
Net change in plan fiduciary net position	(1,027)	18,109	25,131	47,067	9,522	20,479	55,514
Plan fiduciary net position - beginning	426,216	408,107	382,976	335,909	326,387	305,908	250,394
Plan fiduciary net position - ending (b)	\$ 425,189	\$ 426,216	\$ 408,107	\$ 382,976	\$ 335,909	\$ 326,387	\$ 305,908
 Political subdivision's net pension liability - ending (a) - (b)	\$ (90,130)	\$ (94,246)	\$ (135,800)	\$ (138,396)	\$ (98,335)	\$ (111,005)	\$ (113,235)
 Plan fiduciary net position as a percentage of the total pension liability	126.90%	128.39%	149.87%	156.59%	141.39%	151.54%	158.77%
 Covered payroll	\$ 138,854	\$ 123,857	\$ 136,414	\$ 137,328	\$ 109,463	\$ 158,451	\$ 179,251
 Political subdivision's net pension liability as a percentage of covered payroll	-64.91%	-76.09%	-99.55%	-100.78%	-89.83%	-70.06%	-63.17%

Town of LaCrosse, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 919	\$ 919	\$ -	\$ 145,797	0.63%
2020	1,375	1,375	-	138,854	0.99%
2019	1,226	1,226	-	123,857	0.99%
2018	4,147	4,147	-	136,414	3.04%
2017	4,175	4,175	-	137,328	3.04%
2016	5,002	5,002	-	109,463	4.57%
2015	7,241	7,241	-	158,451	4.57%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

Town of LaCrosse, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2021

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Town of LaCrosse, Virginia

Schedule of Employer's Share of Net OPEB Liability

Line of Duty Act (LODA)

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.00519%	0.00526%	0.00534%	0.01052%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 21,736	\$ 18,873	\$ 17,000	\$ 28,000
Covered - Employee Payroll	\$ 41,000 *	\$ 34,978 *	\$ 38,760 *	\$ 39,283 *
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered - Employee Payroll	53.01% *	53.96% *	43.86% *	71.28% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%	0.79	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 132 of the VRS 2020 Annual Report.

Town of LaCrosse, Virginia

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered - Employee Payroll (5)
2021	\$ 717	\$ 717	\$ -	\$ 55,239 *	1.30% *
2020	706	706	-	41,000 *	1.72% *
2019	706	706	-	34,978 *	2.02% *
2018	567	567	-	38,760 *	1.46%
2017	1,135	1,135	-	39,283 *	2.89% *
2016	N/A	N/A	N/A	N/A *	N/A *
2015	N/A	N/A	N/A	N/A *	N/A *
2014	N/A	N/A	N/A	N/A *	N/A *
2013	N/A	N/A	N/A	N/A *	N/A *
2012	N/A	N/A	N/A	N/A *	N/A *

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.*

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as reference in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

Town of LaCrosse, Virginia

Notes to Required Supplementary Information – OPEB LODA

For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Schedule of Employer's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP) - Political Subdivisions

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.01100%	0.00120%	0.00000%	0.00000%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 110	\$ 23	\$ -	\$ -
Employer's Covered Payroll	\$ 41,000	\$ 3,416	\$ -	\$ -
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.27%	0.67%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	76.84%	49.19%	51.22%	38.40%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability Program (VLDP) for each year is presented on page 131 of the VRS 2020 Annual Report.

Town of LaCrosse, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 357	\$ 357	\$ -	\$ 43,050	0.83%
2020	295	295	-	41,000	0.72%
2019	25	25	-	3,416	0.72%
2018	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 - Employer's covered payroll amount for the fiscal year

Town of LaCrosse, Virginia

Notes to Required Supplementary Information – OPEB VLDP

For the Year Ended June 30, 2021

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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 Town Council
Town of LaCrosse, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of LaCrosse, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of LaCrosse, Virginia's basic financial statements and have issued our report thereon dated January 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of LaCrosse, 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 the Town of LaCrosse, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of LaCrosse, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

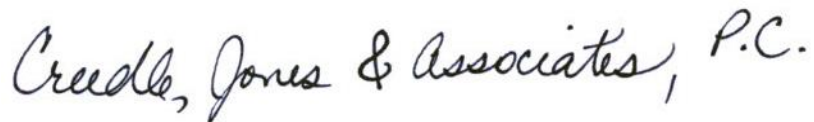
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 17, 2022