

TOWN OF LOUISA, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TOWN OF LOUISA, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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TOWN OF LOUISA, VIRGINIA

TOWN COUNCIL

| | | |
|---|--|---|
| John Jerl Purcell, IV H.I. "Bud" Dulaney | R. Garland Nuckols, Mayor Jessica J. Lassiter, Vice Mayor | James S. "Jim" Artz A. Daniel Carter |
|---|--|---|

GENERAL TOWN GOVERNMENT

| | |
|--|---|
| Town Manager Treasurer/Town Clerk Chief of Police Town Attorney | Elizabeth Nelson Jessica M. Ellis A. Thomas Leary, III Jeffrey S. Gore |
|--|---|

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TOWN OF LOUISA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Louisa, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Louisa, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 53-54 and 55-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Louisa, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020, on our consideration of Town of Louisa, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Louisa, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Louisa, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 9, 2020

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Louisa, Virginia
Statement of Net Position
June 30, 2020

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|----------------------|------------------|
| | Governmental Activities | Business-type Activities | Total | EDA |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 205,574 | \$ 1,077,042 | \$ 1,282,616 | \$ 30,788 |
| Cash and cash equivalents, restricted | 377,164 | 796,517 | 1,173,681 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 45,884 | - | 45,884 | - |
| Accounts receivable | 84,769 | 128,603 | 213,372 | - |
| Due from other governmental units | 4,109 | 4,363 | 8,472 | - |
| Internal balances | 895,483 | (895,927) | (444) | - |
| Prepaid items | - | 5,000 | 5,000 | - |
| Net pension asset | 413,496 | 156,113 | 569,609 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 86,573 | - | 86,573 | - |
| Buildings and improvements | 5,455,398 | 113,884 | 5,569,282 | - |
| Machinery and equipment | 29,379 | 63,305 | 92,684 | - |
| Vehicles | 143,142 | 2,280 | 145,422 | - |
| Infrastructure | 1,377,837 | 5,572,579 | 6,950,416 | - |
| Construction in progress | 21,173 | 115,133 | 136,306 | - |
| Total assets | <u>\$ 9,139,981</u> | <u>\$ 7,138,892</u> | <u>\$ 16,278,873</u> | <u>\$ 30,788</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Pension related items | \$ 53,186 | \$ 24,401 | \$ 77,587 | \$ - |
| OPEB related items | 7,745 | 2,924 | 10,669 | - |
| Total deferred outflow of resources | <u>\$ 60,931</u> | <u>\$ 27,325</u> | <u>\$ 88,256</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 51,436 | \$ 71,653 | \$ 123,089 | \$ 1,074 |
| Accrued interest payable | - | 2,660 | 2,660 | - |
| Customer deposits payable | - | 78,478 | 78,478 | - |
| Long-term liabilities: | | | | |
| Due within one year | 86,121 | 73,059 | 159,180 | - |
| Due in more than one year | 3,009,385 | 2,832,374 | 5,841,759 | - |
| Total liabilities | <u>\$ 3,146,942</u> | <u>\$ 3,058,224</u> | <u>\$ 6,205,166</u> | <u>\$ 1,074</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Pension related items | \$ 62,386 | \$ 23,567 | \$ 85,953 | \$ - |
| OPEB related items | 2,737 | 1,034 | 3,771 | - |
| Total deferred inflow of resources | <u>\$ 65,123</u> | <u>\$ 24,601</u> | <u>\$ 89,724</u> | <u>\$ -</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 4,080,989 | \$ 2,994,421 | \$ 7,075,410 | \$ - |
| Restricted for cemetery | 377,164 | - | 377,164 | - |
| Unrestricted | 1,530,694 | 1,088,971 | 2,619,665 | 29,714 |
| Total net position | <u>\$ 5,988,847</u> | <u>\$ 4,083,392</u> | <u>\$ 10,072,239</u> | <u>\$ 29,714</u> |

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

Town of Louisa, Virginia
Statement of Activities
For the Year Ended June 30, 2020

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|---------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 657,060 | \$ - | \$ - | \$ - |
| Public safety | 505,260 | 9,906 | 76,216 | - |
| Public works | 189,010 | 7,341 | 854 | - |
| Parks, recreation, and cultural | 24,424 | - | 4,500 | - |
| Community development | 111,555 | - | 33,164 | - |
| Interest on long-term debt | 124,502 | - | - | - |
| Total governmental activities | <u>\$ 1,611,811</u> | <u>\$ 17,247</u> | <u>\$ 114,734</u> | <u>\$ -</u> |
| Business-type activities: | | | | |
| Water | \$ 632,886 | \$ 638,818 | \$ - | \$ 30,000 |
| Sewer | 704,696 | 495,219 | - | - |
| Hillcrest cemetery | 58,388 | 13,478 | - | - |
| Total business-type activities | <u>\$ 1,395,970</u> | <u>\$ 1,147,515</u> | <u>\$ -</u> | <u>\$ 30,000</u> |
| Total primary government | <u>\$ 3,007,781</u> | <u>\$ 1,164,762</u> | <u>\$ 114,734</u> | <u>\$ 30,000</u> |
| COMPONENT UNITS: | | | | |
| Discretely presented component unit: | | | | |
| Louisa Economic Development Authority | \$ 1,870 | \$ - | \$ - | \$ - |

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

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|-----------------------|-------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | EDA |
| \$ (657,060) | | \$ (657,060) | |
| (419,138) | | (419,138) | |
| (180,815) | | (180,815) | |
| (19,924) | | (19,924) | |
| (78,391) | | (78,391) | |
| (124,502) | | (124,502) | |
| <u>\$ (1,479,830)</u> | | <u>\$ (1,479,830)</u> | |
| | \$ 35,932 | \$ 35,932 | |
| | (209,477) | (209,477) | |
| | (44,910) | (44,910) | |
| | <u>\$ (218,455)</u> | <u>\$ (218,455)</u> | |
| <u>\$ (1,479,830)</u> | <u>\$ (218,455)</u> | <u>\$ (1,698,285)</u> | |
| | | | \$ (1,870) |
| \$ 333,002 | \$ - | \$ 333,002 | \$ - |
| 86,569 | - | 86,569 | - |
| 241,847 | - | 241,847 | - |
| 600,315 | - | 600,315 | - |
| 141,754 | - | 141,754 | - |
| 5,918 | - | 5,918 | - |
| 17,903 | 29,664 | 47,567 | 78 |
| 14,832 | - | 14,832 | - |
| 51,472 | - | 51,472 | - |
| <u>\$ -1,493,612</u> | <u>\$ 29,664</u> | <u>\$ 1,523,276</u> | <u>\$ 78</u> |
| \$ 13,782 | \$ (188,791) | \$ (175,009) | \$ (1,792) |
| 5,975,065 | 4,272,183 | 10,247,248 | 31,506 |
| <u>\$ 5,988,847</u> | <u>\$ 4,083,392</u> | <u>\$ 10,072,239</u> | <u>\$ 29,714</u> |

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FUND FINANCIAL STATEMENTS

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Town of Louisa, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

| | <u>General</u> |
|--|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 205,574 |
| Cash and cash equivalents, restricted | 377,164 |
| Receivables (net of allowance for uncollectibles): | |
| Taxes receivable | 45,884 |
| Accounts receivable | 84,769 |
| Due from other funds | 895,483 |
| Due from other governmental units | 4,109 |
| Total assets | <u>\$ 1,612,983</u> |
| LIABILITIES | |
| Accounts payable | 51,436 |
| Total liabilities | <u>\$ 51,436</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 40,754 |
| Total deferred inflow of resources | <u>\$ 40,754</u> |
| FUND BALANCES | |
| Nonspendable | \$ 895,483 |
| Restricted | 377,164 |
| Unassigned | 248,146 |
| Total fund balances | <u>\$ 1,520,793</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,612,983</u> |

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

Town of Louisa, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

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

| | | |
|--|--------------|--|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 1,520,793 | |
|--|--------------|--|

| | | |
|---|-----------|--|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 7,113,502 | |
|---|-----------|--|

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

| | | | |
|--------------------------------------|-----------|--|---------|
| Unavailable revenue - property taxes | \$ 40,754 | | |
| Net pension asset | 413,496 | | 454,250 |

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

| | | | |
|-----------------------|-------------|--|----------|
| Pension related items | \$ (62,386) | | |
| OPEB related items | (2,737) | | (65,123) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

| | | | |
|-------------------------|-------------|--|-------------|
| Compensated absences | \$ (21,530) | | |
| Net OPEB liability | (41,463) | | |
| General obligation bond | (2,978,962) | | |
| Notes payable | (53,551) | | (3,095,506) |

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

| | | | |
|-----------------------|-----------|--|--------|
| Pension related items | \$ 53,186 | | |
| OPEB related items | 7,745 | | 60,931 |

| | | |
|---|--|--------------|
| Net position of governmental activities | | \$ 5,988,847 |
|---|--|--------------|

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

Town of Louisa, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | <u>General</u> | <u>Forfeited Assets Fund</u> | <u>Total</u> |
|--|---------------------|----------------------------------|---------------------|
| REVENUES | | | |
| General property taxes | \$ 336,844 | \$ - | \$ 336,844 |
| Other local taxes | 1,076,403 | - | 1,076,403 |
| Permits, privilege fees, and regulatory licenses | 5,095 | - | 5,095 |
| Fines and forfeitures | 4,811 | - | 4,811 |
| Revenue from the use of money and property | 17,903 | - | 17,903 |
| Charges for services | 7,341 | - | 7,341 |
| Miscellaneous | 14,832 | - | 14,832 |
| Intergovernmental: | | | |
| Commonwealth | 139,759 | - | 139,759 |
| Federal | 26,447 | - | 26,447 |
| Total revenues | <u>\$ 1,629,435</u> | <u>\$ -</u> | <u>\$ 1,629,435</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 589,622 | \$ - | \$ 589,622 |
| Public safety | 486,646 | 480 | 487,126 |
| Public works | 245,284 | - | 245,284 |
| Parks, recreation, and cultural | 25,219 | - | 25,219 |
| Debt service: | | | |
| Principal retirement | 72,641 | - | 72,641 |
| Interest and other fiscal charges | 124,502 | - | 124,502 |
| Total expenditures | <u>\$ 1,543,914</u> | <u>\$ 480</u> | <u>\$ 1,544,394</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 85,521</u> | <u>\$ (480)</u> | <u>\$ 85,041</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of general obligation bond | \$ 73,000 | \$ - | \$ 73,000 |
| Total other financing sources (uses) | <u>\$ 73,000</u> | <u>\$ -</u> | <u>\$ 73,000</u> |
| Net change in fund balances | \$ 158,521 | \$ (480) | \$ 158,041 |
| Fund balances - beginning | 1,362,272 | 480 | 1,362,752 |
| Fund balances - ending | <u>\$ 1,520,793</u> | <u>\$ -</u> | <u>\$ 1,520,793</u> |

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

Town of Louisa, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2020

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

| | |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 158,041 |
|--|------------|

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

| | | |
|-------------------------|------------|-----------|
| Capital asset additions | \$ 106,002 | |
| Depreciation expense | (303,036) | (197,034) |

| | |
|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. | (3,842) |
|--|---------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. A summary of items supporting this adjustment is as follows:

| | | |
|---|-------------|-------|
| Issuance of general obligation bond | \$ (73,000) | |
| Principal retirement on general obligation bond | 54,632 | |
| Principal retirement on notes payable | 18,009 | (359) |

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

| | | |
|---|-----------|--------|
| (Increase) decrease in compensated absences | \$ 15,477 | |
| Pension expense | 39,182 | |
| OPEB expense | 2,317 | 56,976 |

| | |
|---|------------------|
| Change in net position of governmental activities | <u>\$ 13,782</u> |
|---|------------------|

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

Town of Louisa, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Enterprise Funds | | | |
|---|------------------|--------------|--------------------|--------------|
| | Water | Sewer | Hillcrest Cemetery | Total |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,077,042 | \$ - | \$ - | \$ 1,077,042 |
| Cash and cash equivalents, restricted | - | 324,928 | 471,589 | 796,517 |
| Accounts receivables, net of allowance for uncollectibles | 69,018 | 59,585 | - | 128,603 |
| Due from other governmental units | - | 4,363 | - | 4,363 |
| Prepaid items | 5,000 | - | - | 5,000 |
| Total current assets | \$ 1,151,060 | \$ 388,876 | \$ 471,589 | \$ 2,011,525 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Buildings and improvements | \$ - | \$ - | \$ 113,884 | \$ 113,884 |
| Equipment | 17,932 | 45,373 | - | 63,305 |
| Vehicles | 2,280 | - | - | 2,280 |
| Infrastructure | 2,385,220 | 3,187,359 | - | 5,572,579 |
| Construction in progress | - | 115,133 | - | 115,133 |
| Total net capital assets | \$ 2,405,432 | \$ 3,347,865 | \$ 113,884 | \$ 5,867,181 |
| Total noncurrent assets | \$ 2,405,432 | \$ 3,347,865 | \$ 113,884 | \$ 5,867,181 |
| Other assets: | | | | |
| Net pension asset | \$ 62,353 | \$ 62,307 | \$ 31,453 | \$ 156,113 |
| Total other assets | \$ 62,353 | \$ 62,307 | \$ 31,453 | \$ 156,113 |
| Total assets | \$ 3,618,845 | \$ 3,799,048 | \$ 616,926 | \$ 8,034,819 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 9,856 | \$ 9,940 | \$ 4,605 | \$ 24,401 |
| OPEB related items | 1,168 | 1,167 | 589 | 2,924 |
| Total deferred outflows of resources | \$ 11,024 | \$ 11,107 | \$ 5,194 | \$ 27,325 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 25,133 | \$ 44,405 | \$ 2,115 | \$ 71,653 |
| Accrued interest payable | - | 2,660 | - | 2,660 |
| Customer deposits payable | 42,982 | 35,496 | - | 78,478 |
| Due to other funds | 139,022 | 577,352 | 179,553 | 895,927 |
| Bonds payable - current portion | - | 71,357 | - | 71,357 |
| Compensated absences - current portion | 683 | 697 | 322 | 1,702 |
| Total current liabilities | \$ 207,820 | \$ 731,967 | \$ 181,990 | \$ 1,121,777 |
| Noncurrent liabilities: | | | | |
| Bonds payable - net of current portion | \$ - | \$ 2,801,403 | \$ - | \$ 2,801,403 |
| Compensated absences - net of current portion | 6,151 | 6,272 | 2,894 | 15,317 |
| Net OPEB liability | 6,252 | 6,248 | 3,154 | 15,654 |
| Total noncurrent liabilities | \$ 12,403 | \$ 2,813,923 | \$ 6,048 | \$ 2,832,374 |
| Total liabilities | \$ 220,223 | \$ 3,545,890 | \$ 188,038 | \$ 3,954,151 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 9,518 | \$ 9,344 | \$ 4,705 | \$ 23,567 |
| OPEB related items | 413 | 412 | 209 | 1,034 |
| Total deferred inflows of resources | \$ 9,931 | \$ 9,756 | \$ 4,914 | \$ 24,601 |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 2,405,432 | \$ 475,105 | \$ 113,884 | \$ 2,994,421 |
| Unrestricted | 994,283 | (220,596) | 315,284 | 1,088,971 |
| Total net position | \$ 3,399,715 | \$ 254,509 | \$ 429,168 | \$ 4,083,392 |

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

Town of Louisa, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

| | Enterprise Funds | | | |
|--|----------------------------|--------------------------|---------------------------|----------------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Hillcrest Cemetery</u> | <u>Total</u> |
| OPERATING REVENUES | | | | |
| Charges for services: | | | | |
| Water and sewer revenues | \$ 620,828 | \$ 472,059 | \$ - | \$ 1,092,887 |
| Penalties | 3,650 | - | - | 3,650 |
| Sale of lots and permits | - | - | 13,478 | 13,478 |
| Total operating revenues | <u>\$ 624,478</u> | <u>\$ 472,059</u> | <u>\$ 13,478</u> | <u>\$ 1,110,015</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | \$ 88,961 | \$ 90,714 | \$ 41,507 | \$ 221,182 |
| Fringe benefits | 17,177 | 19,092 | 8,522 | 44,791 |
| Contractual services | 18,765 | 602 | 5,152 | 24,519 |
| Purchases from Louisa County Water Authority | 270,232 | 367,220 | - | 637,452 |
| Other supplies and expenses | 66,140 | 42,830 | 676 | 109,646 |
| Depreciation | 171,611 | 99,862 | 2,531 | 274,004 |
| Total operating expenses | <u>\$ 632,886</u> | <u>\$ 620,320</u> | <u>\$ 58,388</u> | <u>\$ 1,311,594</u> |
| Operating income (loss) | <u>\$ (8,408)</u> | <u>\$ (148,261)</u> | <u>\$ (44,910)</u> | <u>\$ (201,579)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Connection and reconnection fees | \$ 14,340 | \$ 23,160 | \$ - | \$ 37,500 |
| Interest income | 11,305 | 6,847 | 11,512 | 29,664 |
| USDA grant | 30,000 | - | - | 30,000 |
| Interest expense | - | (84,376) | - | (84,376) |
| Total nonoperating revenues (expenses) | <u>\$ 55,645</u> | <u>\$ (54,369)</u> | <u>\$ 11,512</u> | <u>\$ 12,788</u> |
| Change in net position | <u>\$ 47,237</u> | <u>\$ (202,630)</u> | <u>\$ (33,398)</u> | <u>\$ (188,791)</u> |
| Total net position - beginning | 3,352,478 | 457,139 | 462,566 | 4,272,183 |
| Total net position - ending | <u><u>\$ 3,399,715</u></u> | <u><u>\$ 254,509</u></u> | <u><u>\$ 429,168</u></u> | <u><u>\$ 4,083,392</u></u> |

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

Town of Louisa, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

| | Enterprise Funds | | | |
|---|------------------|--------------|--------------------|--------------|
| | Water | Sewer | Hillcrest Cemetery | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 622,980 | \$ 467,651 | \$ 13,478 | \$ 1,104,109 |
| Payments for operating expenses | (362,177) | (418,874) | (3,950) | (785,001) |
| Payments to and for employees | (114,780) | (118,231) | (53,605) | (286,616) |
| Net cash provided by (used for) operating activities | \$ 146,023 | \$ (69,454) | \$ (44,077) | \$ 32,492 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | \$ 42 | \$ 124,737 | \$ 40,877 | \$ 165,656 |
| Net cash provided by (used for) noncapital financing activities | \$ 42 | \$ 124,737 | \$ 40,877 | \$ 165,656 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | \$ - | \$ (255,370) | \$ - | \$ (255,370) |
| Principal payments on bonds | - | (66,948) | - | (66,948) |
| Connection and reconnection fees | 14,340 | 23,160 | - | 37,500 |
| Intergovernmental grants | 30,000 | (4,363) | - | 25,637 |
| Proceeds from indebtedness | - | 142,983 | - | 142,983 |
| Interest payments | - | (84,457) | - | (84,457) |
| Net cash provided by (used for) capital and related financing activities | \$ 44,340 | \$ (244,995) | \$ - | \$ (200,655) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | \$ 11,305 | \$ 6,847 | \$ 11,512 | \$ 29,664 |
| Net cash provided (used) by investing activities | \$ 11,305 | \$ 6,847 | \$ 11,512 | \$ 29,664 |
| Net increase (decrease) in cash and cash equivalents | \$ 201,710 | \$ (182,865) | \$ 8,312 | \$ 27,157 |
| Cash and cash equivalents - beginning | 875,332 | 507,793 | 463,277 | 1,846,402 |
| Cash and cash equivalents - ending | \$ 1,077,042 | \$ 324,928 | \$ 471,589 | \$ 1,873,559 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | \$ (8,408) | \$ (148,261) | \$ (44,910) | \$ (201,579) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 171,611 | 99,862 | 2,531 | 274,004 |
| (Increase) decrease in accounts receivable | (4,276) | (6,328) | - | (10,604) |
| (Increase) decrease in net pension asset | (1,904) | (2,445) | (2,457) | (6,806) |
| (Increase) decrease in deferred outflows of resources | (4,642) | (4,736) | (1,971) | (11,349) |
| Increase (decrease) in customer deposits payable | 2,778 | 1,920 | - | 4,698 |
| Increase (decrease) in accounts payable | (7,040) | (8,222) | 1,878 | (13,384) |
| Increase (decrease) in deferred inflows of resources | (2,509) | (1,356) | 819 | (3,046) |
| Increase (decrease) in net OPEB liability | 632 | 680 | 284 | 1,596 |
| Increase (decrease) in compensated absences | (219) | (568) | (251) | (1,038) |
| Total adjustments | \$ 154,431 | \$ 78,807 | \$ 833 | \$ 234,071 |
| Net cash provided by (used for) operating activities | \$ 146,023 | \$ (69,454) | \$ (44,077) | \$ 32,492 |

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

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

Government-wide and Fund Financial Statements (Continued)

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2020.

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 principle and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

a. General Fund

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

b. Special Revenue Funds

Special Revenue Funds account for and report the proceeds for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or certified projects. The only special revenue fund is the Forfeited Asset Fund, which is considered a major fund.

2. Proprietary Funds

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

a. Water Fund

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

b. Sewer Fund

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

2. Proprietary Funds

c. Hillcrest Cemetery Fund

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

F. Prepaid Items

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

G. Receivables and Payables

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

G. Receivables and Payables

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. The allowance amounted to approximately \$16,084 at June 30, 2020 and is comprised of property taxes of \$11,271, and water and sewer charges of \$4,813.

Real and Personal Property Tax Data:

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

| | <u>Real Property</u> | <u>Personal Property</u> |
|-----------|----------------------|--------------------------|
| Levy | January 1 | January 1 |
| Due Date | January 15 | January 15 |
| Lien Date | January 1 | January 1 |

The Town bills and collects its own property taxes.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred during fiscal year 2020.

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

I. Compensated Absences

Vested or accumulated vacation and compensatory leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and compensatory leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. Use of Estimates

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

K. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

L. Long-term Obligations

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

L. Long-term Obligations (Continued)

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

M. Fund Balance

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

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

M. Fund Balance (Continued)

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

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

| | General | Forfeited Assets Fund | Total |
|--|---------------------|--------------------------|---------------------|
| Fund balances: | | | |
| Nonspendable: | | | |
| Long-term amounts due from other funds | \$ 895,483 | \$ - | \$ 895,483 |
| Restricted for: | | | |
| Cemetery | 377,164 | - | 377,164 |
| Unassigned | 248,146 | - | 248,146 |
| Total fund balances | <u>\$ 1,520,793</u> | <u>\$ -</u> | <u>\$ 1,520,793</u> |

O. Deferred Outflows/Inflows of Resources

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

P. Pensions

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

Q. Other Postemployment Benefits (OPEB)

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2020, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2020 except the Forfeited Asset fund where expenditures exceeded appropriations by \$480.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

| Town's Rated Debt Investments' Values | |
|---------------------------------------|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| Local Government Investment Pool | \$ 1,101,699 |
| Total | <u>\$ 1,101,699</u> |

Interest Rate Risk

| Investment Maturities (in years) | | |
|----------------------------------|---------------------|-----------------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| Local Government Investment Pool | \$ 1,101,669 | \$ 1,101,669 |
| Total | <u>\$ 1,101,669</u> | <u>\$ 1,101,669</u> |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2020, the Town has receivables from other governments as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|----------------------------------|------------------------------------|-------------------------------------|
| Commonwealth of Virginia: | | |
| Communications tax | \$ 975 | \$ - |
| Auto rental tax | 2,478 | - |
| Other | 656 | - |
| Federal Government: | | |
| Sewer construction grant | - | 4,363 |
| Total due from other governments | <u>\$ 4,109</u> | <u>\$ 4,363</u> |

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets:

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

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|--------------|-----------|--------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 86,573 | \$ - | \$ - | \$ 86,573 |
| Construction in progress | 21,173 | - | - | 21,173 |
| Total capital assets not subject to depreciation | \$ 107,746 | \$ - | \$ - | \$ 107,746 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 7,268,666 | \$ 7,291 | \$ - | \$ 7,275,957 |
| Machinery and equipment | 480,084 | - | - | 480,084 |
| Vehicles | 333,832 | 98,711 | - | 432,543 |
| Infrastructure | 1,653,403 | - | - | 1,653,403 |
| Total capital assets subject to depreciation | \$ 9,735,985 | \$ 106,002 | \$ - | \$ 9,841,987 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,636,360 | \$ 184,199 | \$ - | \$ 1,820,559 |
| Machinery and equipment | 437,591 | 13,114 | - | 450,705 |
| Vehicles | 238,791 | 50,610 | - | 289,401 |
| Infrastructure | 220,453 | 55,113 | - | 275,566 |
| Total accumulated depreciation | \$ 2,533,195 | \$ 303,036 | \$ - | \$ 2,836,231 |
| Total capital assets subject to depreciation, net | \$ 7,202,790 | \$ (197,034) | \$ - | \$ 7,005,756 |
| Governmental activities capital assets, net | \$ 7,310,536 | \$ (197,034) | \$ - | \$ 7,113,502 |

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets: (Continued)

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

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|-------------|-----------|--------------------------|
| <i>Business-type Activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Construction in progress | \$ 64,495 | \$ 50,638 | \$ - | \$ 115,133 |
| Total capital assets not subject to depreciation | \$ 64,495 | \$ 50,638 | \$ - | \$ 115,133 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 181,486 | \$ - | \$ - | \$ 181,486 |
| Machinery and equipment | 142,786 | - | - | 142,786 |
| Vehicles | 34,700 | - | - | 34,700 |
| Infrastructure | 9,435,797 | 204,732 | - | 9,640,529 |
| Total capital assets subject to depreciation | \$ 9,794,769 | \$ 204,732 | \$ - | \$ 9,999,501 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 65,071 | \$ 2,531 | \$ - | \$ 67,602 |
| Machinery and equipment | 69,644 | 9,837 | - | 79,481 |
| Vehicles | 31,280 | 1,140 | - | 32,420 |
| Infrastructure | 3,807,454 | 260,496 | - | 4,067,950 |
| Total accumulated depreciation | \$ 3,973,449 | \$ 274,004 | \$ - | \$ 4,247,453 |
| Total capital assets subject to depreciation, net | \$ 5,821,320 | \$ (69,272) | \$ - | \$ 5,752,048 |
| Business-type activities capital assets, net | \$ 5,885,815 | \$ (18,634) | \$ - | \$ 5,867,181 |

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

| | |
|---|--------------------------|
| Governmental activities: | |
| General government administration | \$ 143,219 |
| Public safety | 44,856 |
| Public works | 3,406 |
| Community development | 111,555 |
| Total depreciation expense - governmental activities | <u>\$ 303,036</u> |
| Business-type activities: | |
| Water fund | \$ 171,611 |
| Sewer fund | 99,862 |
| Hillcrest Cemetery fund | 2,531 |
| Total depreciation expense - business-type activities | <u>\$ 274,004</u> |
| Total depreciation expense - primary government | <u><u>\$ 577,040</u></u> |

Note 6—Long-term Obligations:

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

| | Balance at July 1, 2019 | Issuances/ Additions | Retirements/ Reductions | Balance at June 30, 2020 | Amounts Due Within One Year |
|----------------------------------|----------------------------|--------------------------|----------------------------|-----------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 1,770,269 | \$ 73,000 | \$ 42,031 | \$ 1,801,238 | \$ 53,460 |
| Bonds from direct placement | 1,190,325 | - | 12,601 | 1,177,724 | 12,039 |
| Notes from direct borrowings | 71,560 | - | 18,009 | 53,551 | 18,469 |
| Net OPEB liability | 39,942 | 9,947 | 8,426 | 41,463 | - |
| Compensated absences | 37,007 | 3,741 | 19,218 | 21,530 | 2,153 |
| Total Governmental Activities | <u>\$ 3,109,103</u> | <u>\$ 86,688</u> | <u>\$ 100,285</u> | <u>\$ 3,095,506</u> | <u>\$ 86,121</u> |
| Business-type Activities: | | | | | |
| General obligation bonds | \$ 2,796,725 | \$ 142,983 | \$ 66,948 | \$ 2,872,760 | \$ 71,357 |
| Net OPEB liability | 14,058 | 3,755 | 2,159 | 15,654 | - |
| Compensated absences | 18,057 | 48 | 1,086 | 17,019 | 1,702 |
| Total Business-type Activities | <u>\$ 2,828,840</u> | <u>\$ 146,786</u> | <u>\$ 70,193</u> | <u>\$ 2,905,433</u> | <u>\$ 73,059</u> |
| Total Primary Government | <u><u>\$ 5,937,943</u></u> | <u><u>\$ 233,474</u></u> | <u><u>\$ 170,478</u></u> | <u><u>\$ 6,000,939</u></u> | <u><u>\$ 159,180</u></u> |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

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

| Year Ending June 30 | Governmental Activities | | | | | |
|------------------------|--------------------------|---------------------|--------------------------------|---------------------|---------------------------------|-----------------|
| | General Obligation Bonds | | Bonds from Direct Placement | | Notes from Direct Borrowings | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 53,460 | \$ 73,247 | \$ 12,039 | \$ 52,845 | \$ 18,469 | \$ 1,206 |
| 2022 | 56,756 | 71,244 | 12,593 | 52,291 | 18,945 | 732 |
| 2023 | 58,528 | 69,145 | 13,173 | 51,711 | 16,137 | 246 |
| 2024 | 52,786 | 66,974 | 13,779 | 51,105 | - | - |
| 2025 | 56,281 | 64,977 | 14,413 | 50,471 | - | - |
| 2026-2030 | 224,119 | 297,101 | 82,646 | 241,774 | - | - |
| 2031-2035 | 276,169 | 245,052 | 103,499 | 220,921 | - | - |
| 2036-2040 | 340,309 | 180,911 | 129,610 | 194,810 | - | - |
| 2041-2045 | 419,351 | 101,869 | 162,309 | 162,111 | - | - |
| 2046-2050 | 263,479 | 15,856 | 203,260 | 121,160 | - | - |
| 2051-2055 | - | - | 254,541 | 69,879 | - | - |
| 2056-2058 | - | - | 175,862 | 12,056 | - | - |
| Total | <u>\$ 1,801,238</u> | <u>\$ 1,186,376</u> | <u>\$ 1,177,724</u> | <u>\$ 1,281,134</u> | <u>\$ 53,551</u> | <u>\$ 2,184</u> |

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

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

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

| Year Ending June 30 | Business-type Activities | |
|------------------------|--------------------------|---------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2021 | \$ 71,357 | \$ 85,232 |
| 2022 | 79,635 | 82,281 |
| 2023 | 82,130 | 79,786 |
| 2024 | 84,712 | 77,204 |
| 2025 | 87,019 | 74,533 |
| 2026-2030 | 480,392 | 329,188 |
| 2031-2035 | 562,844 | 246,736 |
| 2036-2040 | 631,671 | 149,287 |
| 2041-2045 | 392,430 | 70,731 |
| 2046-2050 | 400,570 | 23,154 |
| Total | <u>\$ 2,872,760</u> | <u>\$ 1,218,132</u> |

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TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

| | Total Amount |
|--|-----------------|
| <u>Governmental Activities:</u> | |
| <u>General Obligation Bonds:</u> | |
| \$950,000 general obligation bond issued April 17, 2008, due in monthly installments of \$4,161 through March 2048 with interest due monthly at 4.25% | \$ 812,444 |
| \$550,000 general obligation bond issued April 17, 2008, due in monthly installments of \$2,371 through March 2048 with interest due monthly at 4.125% | 467,651 |
| \$500,000 general obligation bond issued April 17, 2008, due in monthly installments of \$2,155 through March 2048 with interest due monthly at 4.125% | 425,215 |
| \$37,200 general obligation bond issued April 18, 2018, due in annual installments of \$8,240 with interest due monthly at 3.5% | 22,928 |
| \$73,000 general obligation bond issued May 5, 2020, due in monthly installments of \$1,293 through May 5, 2025 with interest due monthly at 2.375% | 73,000 |
| Total General Obligation Bonds | \$ 1,801,238 |
| <u>Direct Placement:</u> | |
| \$1,201,371 general obligation bond issued June 27, 2018, due in monthly installments of \$5,407 through June 2058 with interest due monthly at 4.5% | \$ 1,177,724 |
| <u>Direct Borrowings:</u> | |
| \$30,618 note payable issued August 18, 2017, due in monthly installments of \$3,291 through August 2022 with interest due monthly at 2.708% | \$ 15,805 |
| \$32,000 note payable issued August 5, 2018, due in monthly installments of \$571 through June 2023 with interest due monthly at 2.45% | 19,773 |
| \$29,493 note payable issued May 8, 2018, due in monthly installments of \$3,124 through January 2023 with interest due monthly at 2.39% | 17,973 |
| Total Notes Payable | \$ 53,551 |
| Net OPEB liability | \$ 41,463 |
| Compensated absences | \$ 21,530 |
| Total Long-term Obligations, Governmental Activities | \$ 3,095,506 |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

Business-type Activities:

General Obligation Bonds:

\$1,134,400 general obligation bond issued October 11, 2000, due in monthly installments of \$5,151 through September 2040 with interest due monthly at 4.5% \$ 820,888

\$2,114,916 general obligation bond issued August 3, 2015, due in monthly installments of \$7,466 through February 2050 with interest due monthly at 2.375% 1,908,889

\$142,983 general obligation bond issued April 6, 2020 due in monthly installments of \$876, once funds are fully drawn down, through April 2060 with interest due monthly at 2.375% 142,983

Total General Obligation Bonds \$ 2,872,760

Net OPEB liability \$ 15,654

Compensated absences \$ 17,019

Total Long-term Obligations, Business-type Activities \$ 2,905,433

Note 7—Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$40,754 at June 30, 2020.

Note 8—Litigation:

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 9—Risk Management:

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

The Town has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10—Pension Plan:

Plan Description

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

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

Benefit Structures

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

| | Primary Government |
|--|-----------------------|
| Inactive members or their beneficiaries currently receiving benefits | 11 |
| Inactive members: | |
| Vested inactive members | 11 |
| Non-vested inactive members | 1 |
| Inactive members active elsewhere in VRS | 16 |
| Total inactive members | 28 |
| Active members | 15 |
| Total covered employees | 54 |

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 7.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$41,042 and \$47,017 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (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, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all 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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all 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.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 10—Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions 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) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return (Continued)

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

* The above allocation provides a one-year return of 7.63%. 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10—Pension Plan: (Continued)

Discount Rate (Continued)

contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

| | Primary Government | | |
|--|-----------------------|----------------------------|-------------------------------------|
| | Increase (Decrease) | | |
| | Total | Plan | Net |
| | Pension Liability (a) | Fiduciary Net Position (b) | Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2018 | \$ 2,307,924 | \$ 2,841,932 | \$ (534,008) |
| Changes for the year: | | | |
| Service cost | \$ 102,639 | \$ - | \$ 102,639 |
| Interest | 159,180 | - | 159,180 |
| Changes of assumptions | 70,072 | - | 70,072 |
| Differences between expected and actual experience | (98,542) | - | (98,542) |
| Contributions - employer | - | 47,017 | (47,017) |
| Contributions - employee | - | 32,608 | (32,608) |
| Net investment income | - | 191,286 | (191,286) |
| Benefit payments, including refunds | | | |
| Refunds of employee contributions | (67,849) | (67,849) | - |
| Administrative expenses | - | (1,840) | 1,840 |
| Other changes | - | (121) | 121 |
| Net changes | \$ 165,500 | \$ 201,101 | \$ (35,601) |
| Balances at June 30, 2019 | \$ 2,473,424 | \$ 3,043,033 | \$ (569,609) |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10—Pension Plan: (Continued)

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

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

| | Rate | | |
|-------------------------------|--------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Town's | | | |
| Net Pension Liability (Asset) | \$ (254,128) | \$ (569,609) | \$ (819,712) |

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

For the year ended June 30, 2020, the Town recognized pension expense of (\$17,861). At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | |
|--|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 59,859 |
| Change in assumptions | 36,545 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 26,094 |
| Employer contributions subsequent to the measurement date | 41,042 | - |
| Total | \$ 77,587 | \$ 85,953 |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 10—Pension Plan: (Continued)

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

\$41,042 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Primary Government</u> |
|---------------------------|-------------------------------|
| 2021 | \$ (23,783) |
| 2022 | (26,533) |
| 2023 | (689) |
| 2024 | 1,597 |
| Thereafter | - |

Pension Plan Data

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

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

Plan Description

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$3,264 and \$3,482 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

At June 30, 2020, the entity reported a liability of \$57,117 its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00351% as compared to 0.00352% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$1,297. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 3,799 | \$ 742 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 1,173 |
| Change in assumptions | 3,606 | 1,722 |
| Changes in proportion | - | 134 |
| Employer contributions subsequent to the measurement date | <u>3,264</u> | <u>-</u> |
| Total | <u>\$ 10,669</u> | <u>\$ 3,771</u> |

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

\$3,264 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|--------|
| 2021 | \$ 180 |
| 2022 | 180 |
| 2023 | 677 |
| 2024 | 1,130 |
| 2025 | 1,150 |
| Thereafter | 317 |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information on other groups can be referenced in the VRS CAFR.

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

*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 OPEB liabilities.

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions 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 | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

NET GLI OPEB Liability

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Discount Rate (Continued)

to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | Rate | | |
|---|-------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Town's proportionate share of the Group Life Insurance Program Net OPEB Liability | \$ 75,036 | \$ 57,117 | \$ 42,586 |

GLI Program Fiduciary Net Position

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

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2020 was \$7,156.

Note 13—Upcoming Pronouncements:

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

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

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

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13—Upcoming Pronouncements: (Continued)

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

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

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

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

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

Note 14—Subsequent Events

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

TOWN OF LOUISA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 14—Subsequent Events

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

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

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. Town of Louisa, Virginia, did not receive any CRF funds.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 313,900 | \$ 313,900 | \$ 336,844 | \$ 22,944 |
| Other local taxes | 1,090,180 | 1,090,180 | 1,076,403 | (13,777) |
| Permits, privilege fees, and regulatory licenses | 1,000 | 1,000 | 5,095 | 4,095 |
| Fines and forfeitures | 9,800 | 9,800 | 4,811 | (4,989) |
| Revenue from the use of money and property | 18,300 | 18,300 | 17,903 | (397) |
| Charges for services | 7,500 | 7,500 | 7,341 | (159) |
| Miscellaneous | 10,500 | 10,500 | 14,832 | 4,332 |
| Intergovernmental: | | | | |
| Commonwealth | 443,029 | 443,029 | 139,759 | (303,270) |
| Federal | 38,000 | 38,000 | 26,447 | (11,553) |
| Total revenues | \$ 1,932,209 | \$ 1,932,209 | \$ 1,629,435 | \$ (302,774) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 634,494 | \$ 634,784 | \$ 589,622 | \$ 45,162 |
| Public safety | 568,743 | 574,803 | 486,646 | 88,157 |
| Public works | 589,373 | 583,023 | 245,284 | 337,739 |
| Parks, recreation, and cultural | 17,448 | 28,229 | 25,219 | 3,010 |
| Debt service: | | | | |
| Principal retirement | - | 64,884 | 72,641 | (7,757) |
| Interest and other fiscal charges | 136,851 | 136,851 | 124,502 | 12,349 |
| Total expenditures | \$ 1,946,909 | \$ 2,022,574 | \$ 1,543,914 | \$ 478,660 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (14,700) | \$ (90,365) | \$ 85,521 | \$ 175,886 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (45,300) | \$ (45,300) | \$ - | \$ 45,300 |
| Issuance of general obligation bond | - | - | 73,000 | 73,000 |
| Total other financing sources (uses) | \$ (45,300) | \$ (45,300) | \$ 73,000 | \$ 118,300 |
| Net change in fund balances | \$ (60,000) | \$ (135,665) | \$ 158,521 | \$ 294,186 |
| Fund balances - beginning | 60,000 | 135,665 | 1,362,272 | 1,226,607 |
| Fund balances - ending | \$ - | \$ - | \$ 1,520,793 | \$ 1,520,793 |

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Town of Louisa, Virginia
 Forfeited Assets Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ - | \$ 480 | \$ 480 | \$ - |
| Total expenditures | \$ - | \$ 480 | \$ 480 | \$ - |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (480) | \$ (480) | \$ - |
| Net change in fund balances | \$ - | \$ (480) | \$ (480) | \$ - |
| Fund balances - beginning | - | 480 | 480 | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

Town of Louisa, Virginia

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

For the Measurement Dates of June 30, 2014 through June 30, 2019

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Total pension liability | | |
| Service cost | \$ 102,639 | \$ 108,991 |
| Interest | 159,180 | 150,697 |
| Changes in benefit terms | - | - |
| Changes of assumptions | 70,072 | - |
| Differences between expected and actual experience | (98,542) | (79,018) |
| Benefit payments | (67,849) | (51,107) |
| Net change in total pension liability | \$ 165,500 | \$ 129,563 |
| Total pension liability - beginning | 2,307,924 | 2,178,361 |
| Total pension liability - ending (a) | \$ 2,473,424 | \$ 2,307,924 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 47,017 | \$ 43,155 |
| Contributions - employee | 32,608 | 31,901 |
| Net investment income | 191,286 | 195,881 |
| Benefit payments | (67,849) | (51,107) |
| Administrator charges | (1,840) | (1,639) |
| Other | (121) | (176) |
| Net change in plan fiduciary net position | \$ 201,101 | \$ 218,015 |
| Plan fiduciary net position - beginning | 2,841,932 | 2,623,917 |
| Plan fiduciary net position - ending (b) | \$ 3,043,033 | \$ 2,841,932 |
| Town's net pension liability (asset) - ending (a) - (b) | \$ (569,609) | \$ (534,008) |
| Plan fiduciary net position as a percentage of the total pension liability | 123.03% | 123.14% |
| Covered payroll | \$ 688,470 | \$ 669,594 |
| Town's net pension liability (asset) as a percentage of covered payroll | -82.74% | -79.75% |

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

Exhibit 12

| | 2017 | 2016 | 2015 | 2014 |
|----|-----------|--------------|--------------|--------------|
| \$ | 106,188 | \$ 56,588 | \$ 67,988 | \$ 64,175 |
| | 141,058 | 140,683 | 135,553 | 125,276 |
| | 30,963 | - | - | - |
| | (13,135) | - | - | - |
| | (78,000) | (144,757) | (86,921) | - |
| | (47,649) | (46,681) | (39,981) | (45,293) |
| \$ | 139,425 | \$ 5,833 | \$ 76,639 | \$ 144,158 |
| | 2,038,936 | 2,033,103 | 1,956,464 | 1,812,306 |
| \$ | 2,178,361 | \$ 2,038,936 | \$ 2,033,103 | \$ 1,956,464 |
| \$ | 43,917 | \$ 31,305 | \$ 32,058 | \$ 43,063 |
| | 33,314 | 28,652 | 29,439 | 29,864 |
| | 285,805 | 40,420 | 99,207 | 290,818 |
| | (47,649) | (46,681) | (39,981) | (45,293) |
| | (1,592) | (1,386) | (1,317) | (1,532) |
| | (256) | (17) | (21) | 16 |
| \$ | 313,539 | \$ 52,293 | \$ 119,385 | \$ 316,936 |
| | 2,310,378 | 2,258,085 | 2,138,700 | 1,821,764 |
| \$ | 2,623,917 | \$ 2,310,378 | \$ 2,258,085 | \$ 2,138,700 |
| \$ | (445,556) | \$ (271,442) | \$ (224,982) | \$ (182,236) |
| | 120.45% | 113.31% | 111.07% | 109.31% |
| \$ | 667,503 | \$ 617,062 | \$ 609,214 | \$ 597,267 |
| | -66.75% | -43.99% | -36.93% | -30.51% |

Town of Louisa, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---------------------------|--|---|---|---|---|
| Primary Government | | | | | |
| 2020 | \$ 41,042 | \$ 41,042 | \$ - | \$ 613,667 | 6.69% |
| 2019 | 47,017 | 47,017 | - | 688,470 | 6.83% |
| 2018 | 43,155 | 43,155 | - | 669,594 | 6.44% |
| 2017 | 43,917 | 43,917 | - | 667,503 | 6.58% |
| 2016 | 31,305 | 31,305 | - | 617,062 | 5.07% |
| 2015 | 32,058 | 32,058 | - | 609,214 | 5.26% |
| 2014 | 43,063 | 43,063 | - | 597,267 | 7.21% |
| 2013 | 45,395 | 45,395 | - | 629,617 | 7.21% |
| 2012 | 37,608 | 37,608 | - | 616,527 | 6.10% |
| 2011 | 35,883 | 35,883 | - | 588,251 | 6.10% |

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

Town of Louisa, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Louisa, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through 2019

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2019 | 0.00351% \$ | 57,117 \$ | 688,740 | 8.29% | 52.00% |
| 2018 | 0.00352% | 54,000 | 669,594 | 8.06% | 51.22% |
| 2017 | 0.00362% | 55,000 | 667,503 | 8.24% | 48.86% |

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

Town of Louisa, Virginia
 Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2016 through June 30, 2020

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2020 | \$ 3,264 | \$ 3,264 | \$ - | \$ 627,736 | 0.52% |
| 2019 | 3,580 | 3,580 | - | 688,470 | 0.52% |
| 2018 | 3,482 | 3,482 | - | 669,594 | 0.52% |
| 2017 | 3,471 | 3,471 | - | 667,503 | 0.52% |
| 2016 | 2,962 | 2,962 | - | 617,062 | 0.48% |

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

Town of Louisa, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

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***DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY***

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Town of Louisa, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2020

ASSETS

Current assets:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 30,788 |
| Total assets | <u>\$ 30,788</u> |

LIABILITIES

Current liabilities:

| | |
|-------------------|-----------------|
| Accounts payable | \$ 1,074 |
| Total liabilities | <u>\$ 1,074</u> |

NET POSITION

| | |
|--------------------|-------------------------|
| Unrestricted | \$ 29,714 |
| Total net position | <u><u>\$ 29,714</u></u> |

Town of Louisa, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

OPERATING EXPENSES

| | |
|--------------------------|-------------------|
| Community development | \$ 1,870 |
| Total operating expenses | <u>\$ 1,870</u> |
| Operating income (loss) | <u>\$ (1,870)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|-------------------------|
| Interest income | \$ 78 |
| Total nonoperating revenues (expenses) | <u>\$ 78</u> |
| Change in net position | \$ (1,792) |
| Total net position - beginning | <u>31,506</u> |
| Total net position - ending | <u><u>\$ 29,714</u></u> |

Town of Louisa, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-----------------|
| Payments for operating activities | \$ (796) |
| Net cash provided by (used for) operating activities | <u>\$ (796)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------|
| Interest income | \$ 78 |
| Net cash provided by (used for) investing activities | <u>\$ 78</u> |

| | |
|--|----------|
| Net increase (decrease) in cash and cash equivalents | \$ (718) |
|--|----------|

| | |
|---------------------------------------|-------------------------|
| Cash and cash equivalents - beginning | 31,506 |
| Cash and cash equivalents - ending | <u><u>\$ 30,788</u></u> |

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

| | |
|-------------------------|------------|
| Operating income (loss) | \$ (1,870) |
|-------------------------|------------|

Adjustments to reconcile operating income to net cash
provided (used) by operating activities:

| | |
|---|-----------------|
| Increase (decrease) in accounts payable and accrued liabilities | 1,074 |
| Total adjustments | <u>\$ 1,074</u> |

| | |
|--|------------------------|
| Net cash provided by (used for) operating activities | <u><u>\$ (796)</u></u> |
|--|------------------------|

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SUPPORTING SCHEDULES

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

Schedule 1
Page 1 of 2

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 232,000 | \$ 232,000 | \$ 247,716 | \$ 15,716 |
| Real and personal public service corporation taxes | 7,900 | 7,900 | 6,790 | (1,110) |
| Personal property taxes | 69,500 | 69,500 | 73,665 | 4,165 |
| Penalties | 3,000 | 3,000 | 3,575 | 575 |
| Interest | 1,500 | 1,500 | 5,098 | 3,598 |
| Total general property taxes | <u>\$ 313,900</u> | <u>\$ 313,900</u> | <u>\$ 336,844</u> | <u>\$ 22,944</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 75,000 | \$ 75,000 | \$ 86,569 | \$ 11,569 |
| Consumption tax | 4,400 | 4,400 | 4,540 | 140 |
| Business license taxes | 252,480 | 252,480 | 241,847 | (10,633) |
| Bank stock taxes | 131,500 | 131,500 | 141,754 | 10,254 |
| Hotel and motel room taxes | 1,800 | 1,800 | 1,378 | (422) |
| Restaurant food taxes | 625,000 | 625,000 | 600,315 | (24,685) |
| Total other local taxes | <u>\$ 1,090,180</u> | <u>\$ 1,090,180</u> | <u>\$ 1,076,403</u> | <u>\$ (13,777)</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | \$ 1,000 | \$ 1,000 | \$ 5,095 | \$ 4,095 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 9,800 | \$ 9,800 | \$ 4,811 | \$ (4,989) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 7,500 | \$ 7,500 | \$ 7,103 | \$ (397) |
| Revenue from use of property | 10,800 | 10,800 | 10,800 | - |
| Total revenue from use of money and property | <u>\$ 18,300</u> | <u>\$ 18,300</u> | <u>\$ 17,903</u> | <u>\$ (397)</u> |
| Charges for services: | | | | |
| Charges for sanitation and waste removal | \$ 7,500 | \$ 7,500 | \$ 7,341 | \$ (159) |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 10,500 | \$ 10,500 | \$ 14,832 | \$ 4,332 |
| Total revenue from local sources | <u>\$ 1,451,180</u> | <u>\$ 1,451,180</u> | <u>\$ 1,463,229</u> | <u>\$ 12,049</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Rolling stock tax | \$ 2,000 | \$ 2,000 | \$ 1,729 | \$ (271) |
| Auto rental tax | 2,500 | 2,500 | 22,423 | 19,923 |
| Communications tax | 6,500 | 6,500 | 5,941 | (559) |
| Personal property tax relief funds | 21,379 | 21,379 | 21,379 | - |
| Total noncategorical aid | <u>\$ 32,379</u> | <u>\$ 32,379</u> | <u>\$ 51,472</u> | <u>\$ 19,093</u> |

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

Schedule 1
Page 2 of 2

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: | | | | |
| Other categorical aid: | | | | |
| DJCP grants for law enforcement | \$ 42,050 | \$ 42,050 | \$ 39,112 | \$ (2,938) |
| TEA grant | 350,000 | 350,000 | 33,164 | (316,836) |
| Litter control | 1,000 | 1,000 | 854 | (146) |
| Justice grants | 7,600 | 7,600 | 657 | (6,943) |
| Arts grant | - | - | 4,500 | 4,500 |
| Fire programs | 10,000 | 10,000 | 10,000 | - |
| Total other categorical aid | <u>\$ 410,650</u> | <u>\$ 410,650</u> | <u>\$ 88,287</u> | <u>\$ (322,363)</u> |
| Total categorical aid | <u>\$ 410,650</u> | <u>\$ 410,650</u> | <u>\$ 88,287</u> | <u>\$ (322,363)</u> |
| Total revenue from the Commonwealth | <u>\$ 443,029</u> | <u>\$ 443,029</u> | <u>\$ 139,759</u> | <u>\$ (303,270)</u> |
| Revenue from the federal government: | | | | |
| Other categorical aid: | | | | |
| USDA grant | \$ 38,000 | \$ 38,000 | \$ 25,000 | \$ (13,000) |
| Department of Justice grant | - | - | 1,447 | 1,447 |
| Total other categorical aid | <u>\$ 38,000</u> | <u>\$ 38,000</u> | <u>\$ 26,447</u> | <u>\$ (11,553)</u> |
| Total revenue from the federal government | <u>\$ 38,000</u> | <u>\$ 38,000</u> | <u>\$ 26,447</u> | <u>\$ (11,553)</u> |
| Total General Fund | <u>\$ 1,932,209</u> | <u>\$ 1,932,209</u> | <u>\$ 1,629,435</u> | <u>\$ (302,774)</u> |

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

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| General and financial administration: | | | | |
| Town Manager and financial administration | \$ 634,494 | \$ 634,784 | 589,622 | \$ 45,162 |
| Total general government administration | \$ 634,494 | \$ 634,784 | \$ 589,622 | \$ 45,162 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police | \$ 547,743 | \$ 553,803 | 465,646 | \$ 88,157 |
| Fire and rescue services: | | | | |
| Fire department | \$ 21,000 | \$ 21,000 | 21,000 | \$ - |
| Total public safety | \$ 568,743 | \$ 574,803 | \$ 486,646 | \$ 88,157 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Street maintenance | \$ 513,773 | \$ 507,423 | \$ 167,314 | \$ 340,109 |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 55,600 | \$ 55,600 | \$ 60,185 | \$ (4,585) |
| Recycling | 20,000 | 20,000 | 17,785 | 2,215 |
| Total sanitation and waste removal | \$ 75,600 | \$ 75,600 | \$ 77,970 | \$ (2,370) |
| Total public works | \$ 589,373 | \$ 583,023 | \$ 245,284 | \$ 337,739 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Ball park | \$ 2,500 | \$ 2,500 | \$ 1,150 | \$ 1,350 |
| Oakland Cemetery | 14,948 | 25,729 | 24,069 | 1,660 |
| Total parks and recreation | \$ 17,448 | \$ 28,229 | \$ 25,219 | \$ 3,010 |
| Total parks, recreation, and cultural | \$ 17,448 | \$ 28,229 | \$ 25,219 | \$ 3,010 |
| Debt service: | | | | |
| Principal retirement | \$ - | \$ 64,884 | \$ 72,641 | \$ (7,757) |
| Interest and other fiscal charges | 136,851 | 136,851 | 124,502 | 12,349 |
| Total debt service | \$ 136,851 | \$ 201,735 | \$ 197,143 | \$ 4,592 |
| Total General Fund | \$ 1,946,909 | \$ 2,022,574 | \$ 1,543,914 | \$ 478,660 |
| Forfeited Assets Fund: | | | | |
| Public safety: | | | | |
| Forfeited assets | \$ - | \$ 480 | \$ 480 | \$ - |
| Total public safety | \$ - | \$ 480 | \$ 480 | \$ - |
| Total Forfeited Assets Fund | \$ - | \$ 480 | \$ 480 | \$ - |

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OTHER STATISTICAL INFORMATION

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Table 1

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

| Fiscal Year | General Government Administration | Public Safety | Public Works | Parks, Recreation, and Cultural | Community Development | Interest on Long-term Debt | Enterprise Funds | Total |
|-------------|-----------------------------------|---------------|--------------|---------------------------------|-----------------------|----------------------------|------------------|--------------|
| 2019-20 | \$ 657,060 | \$ 505,260 | \$ 189,010 | \$ 24,424 | \$ 111,555 | \$ 124,502 | \$ 1,395,970 | \$ 3,007,781 |
| 2018-19 | 551,762 | 472,887 | 218,448 | 14,952 | 111,555 | 130,549 | 1,252,221 | 2,752,374 |
| 2017-18 | 663,480 | 498,030 | 221,867 | 14,561 | 79,939 | 75,158 | 1,402,324 | 2,955,359 |
| 2016-17 | 637,230 | 449,295 | 185,784 | 14,486 | 79,939 | 75,983 | 1,290,310 | 2,733,027 |
| 2015-16 | 625,017 | 404,738 | 198,735 | 14,112 | 79,940 | 74,373 | 1,301,613 | 2,698,528 |

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

Table 2

Town of Louisa, Virginia
Government-wide Revenues
Last Ten Fiscal Years

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | Total |
|----------------|----------------------------|---|---|------------------------------|-------------------------|--|---------------|--|--------------|-------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | | |
| 2019-20 | \$ 1,164,762 | \$ 85,234 | \$ 30,000 | \$ 333,002 | \$ 1,076,403 | \$ 47,567 | \$ 14,832 | \$ 80,972 | \$ 2,832,772 | |
| 2018-19 | 1,025,227 | 90,472 | - | 330,095 | 1,074,971 | 54,126 | 20,666 | 37,723 | 2,633,280 | |
| 2017-18 | 1,256,893 | 60,415 | - | 320,279 | 1,013,358 | 35,610 | 41,230 | 33,886 | 2,761,671 | |
| 2016-17 | 1,912,405 | 86,015 | - | 288,976 | 1,013,077 | 23,473 | 27,421 | 32,310 | 3,383,677 | |
| 2015-16 | 1,073,158 | 63,913 | 139,179 | 232,901 | 992,498 | 23,035 | 19,739 | 30,242 | 2,574,665 | |

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

Table 3

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

| Fiscal Year | General Government Administration | Public Safety | Public Works | Parks, Recreation, and Cultural | Community Development | Debt Service | Total |
|-------------|-----------------------------------|---------------|--------------|---------------------------------|-----------------------|--------------|--------------|
| 2020 | \$ 589,622 | \$ 487,126 | \$ 245,284 | \$ 25,219 | \$ - | \$ 197,143 | \$ 1,544,394 |
| 2019 | 537,502 | 491,931 | 239,680 | 16,817 | - | 197,043 | 1,482,973 |
| 2018 | 588,931 | 621,392 | 226,734 | 15,843 | 1,201,371 | 107,535 | 2,761,806 |
| 2017 | 572,591 | 492,345 | 225,201 | 16,135 | - | 104,244 | 1,410,516 |
| 2016 | 568,619 | 419,619 | 195,188 | 14,858 | - | 105,413 | 1,303,697 |

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

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

(2) Excludes expenditures for capital projects.

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Inter-governmental | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|--------------------|--------------|
| 2020 | \$ 336,844 | \$ 1,076,403 | \$ 5,095 | \$ 4,811 | \$ 17,903 | \$ 7,341 | \$ 14,832 | \$ 166,206 | \$ 1,629,435 |
| 2019 | 316,859 | 1,074,971 | 2,250 | 11,985 | 17,431 | 7,651 | 20,666 | 128,195 | 1,580,008 |
| 2018 | 326,995 | 1,013,358 | 8,210 | 9,710 | 18,290 | 7,721 | 41,230 | 94,301 | 1,519,815 |
| 2017 | 281,532 | 1,013,077 | 902 | 9,784 | 15,354 | 8,281 | 27,421 | 87,845 | 1,444,196 |
| 2016 | 275,741 | 992,498 | 584 | 4,098 | 14,430 | 8,392 | 19,739 | 220,217 | 1,535,699 |

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

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

(2) Excludes Capital projects fund.

Table 5

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

| Fiscal Year | Total Tax Levy (1,2) | Current Tax Collections (1,2) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|-------------|----------------------|-------------------------------|---------------------------|--------------------------------|-----------------------|--|----------------------------------|---|
| 2020 | \$ 329,087 | \$ 300,918 | 91.44% | \$ 20,463 | \$ 321,381 | 97.66% | \$ 41,210 | 12.52% |
| 2019 | 350,910 | 320,484 | 91.33% | 12,117 | 332,601 | 94.78% | 44,566 | 12.70% |
| 2018 | 331,821 | 304,246 | 91.69% | 32,953 | 337,199 | 101.62% | 34,037 | 10.26% |
| 2017 | 320,774 | 291,128 | 90.76% | 8,276 | 299,404 | 93.34% | 46,225 | 14.41% |
| 2016 | 310,974 | 287,623 | 92.49% | 6,924 | 294,547 | 94.72% | 35,934 | 11.56% |

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

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

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

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property | Machinery and Tools | Mobile Homes | Public Service (2) | Total |
|----------------|--------------------|----------------------|---------------------------|-----------------|-----------------------|----------------|
| 2020 | \$ 150,724,796 | \$ 14,680,689 | \$ 193,025 | \$ 48,000 | \$ 4,152,919 | \$ 169,799,429 |
| 2019 | 146,289,060 | 15,011,351 | 187,030 | 48,000 | 4,877,641 | 166,413,082 |
| 2018 | 137,433,800 | 14,225,936 | 183,840 | 33,300 | 4,917,416 | 156,794,292 |
| 2017 | 136,739,800 | 12,839,571 | 163,580 | 28,300 | 4,950,311 | 154,721,562 |
| 2016 | 133,682,238 | 11,797,815 | 161,410 | 23,000 | 4,765,586 | 150,430,049 |

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

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

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

Table 7

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

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

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

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Less: | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|----------------|----------------|-----------------------|-----------------------------|---|-----------------------|--|-------------------------------------|
| | | | | Debt Payable from Enterprise Revenue | | | |
| 2020 | 1,555 | \$ 169,799,429 | \$ 5,851,722 | \$ 2,872,760 | \$ 2,978,962 | 1.75% | \$ 1,916 |
| 2019 | 1,555 | 166,413,082 | 5,757,319 | 2,796,725 | 2,960,594 | 1.78% | 1,904 |
| 2018 | 1,555 | 156,794,292 | 5,864,374 | 2,862,633 | 3,001,741 | 1.91% | 1,930 |
| 2017 | 1,555 | 154,721,562 | 4,726,863 | 2,926,520 | 1,800,343 | 1.16% | 1,158 |
| 2016 | 1,555 | 150,430,049 | 4,817,058 | 2,988,454 | 1,828,604 | 1.22% | 1,176 |

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

(1) Weldon Cooper Center for Public Service, 2000 and 2010 Census counts.

(2) From Table 6

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

Table 9

Town of Louisa, Virginia
Computation of Legal Debt Margin
June 30, 2020

| | |
|--|-----------------------|
| Assessed value of real property, January 1, 2019 (1) | <u>\$ 156,155,519</u> |
| Debt limit: 10% of assessed value | \$ 15,615,552 |
| Amount of debt applicable to debt limit: | |
| Gross debt (2) | \$ 5,851,722 |
| Less: Revenue bonds | <u>-</u> |
| Net general obligation bonds and loans | <u>\$ 5,851,722</u> |
| Legal debt limit | <u>\$ 9,763,830</u> |

(1) Assessed value of real property, including public service corporations as of January 1, 2019.

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

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Louisa Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Louisa, Virginia's basic financial statements and have issued our report thereon dated October 9, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 9, 2020