INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUISA COUNTY, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

INDUSTRIAL DEVELOPMENT AUTHORITY

OF LOUISA COUNTY, VIRGINIA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

DIRECTORS

Willie Harper, Chairman

Robert Clarke Jr., Vice Chairman

William Poindexter, Treasurer

Dustin Madison

Jeff Martin

Dan Byers

Samuel Huges

OFFICERS

Edwin Jarvis, IDA Administrator/Airport Manager

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Independent Auditors' Report

To the Honorable Members of
Industrial Development Authority of Louisa County, Virginia
Louisa, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Industrial Development Authority of Louisa County, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authorities, Boards, and Commissions,* 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Industrial Development Authority of Louisa County, Virginia, as of June 30, 2021, and the changes in financial position, and 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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of Industrial Development Authority of Louisa County, 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 Industrial Development Authority of Louisa County, 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 Industrial Development Authority of Louisa County, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 1, 2022

Basic Financial Statements

INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUISA COUNTY, VIRGINIA

Statement of Net Position
As of June 30, 2021

ASSETS		
Current Assets		
Cash and cash equivalents - IDA	$	80,990
Cash and cash equivalents - airport		109,968
Prepaid expenses		8,414
Total Current Assets	$	199,372
Noncurrent Assets		
Land	$	479,740
Airfield, fueling, and apron		6,751,973
Hangars		1,269,772
Parking lot and roadways		460,219
Fueling systems		170,312
Buildings		537,931
Equipment		133,212
Construction in progress		644,738
Total Capital Assets	$	10,447,897
Less: accumulated depreciation		6,617,249
Net Noncurrent Assets	$	3,830,648
Other Assets		
Land held for resale	$	601,419
Land held for resale - Cooke property (see note 4)		7,180,056
Total Other Assets	$	7,781,475
TOTAL ASSETS	$	11,811,495
LIABILITIES		
Current Liabilities		
Accounts payable	$	4,755
Compensated absences		12,324
Tenant prepaid		17,116
Current portion of VRA loan		5,766
Total Current Liabilities	$	39,961
Long-Term Liabilities		
Note payable - 208 land (see note)	$	7,180,056
VRA loan, net of current portion (see note)		183,416
Total Long-Term Liabilities	$	7,363,472
TOTAL LIABILITIES	$	7,403,433
NET POSITION		
Net investment in capital assets	$	3,647,232
Unrestricted		760,830
Total Net Position	$	4,408,062
TOTAL LIABILITIES AND NET POSITION	$	11,811,495

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUISA COUNTY, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

OPERATING REVENUES:		
Tenant rental	$	122,264
FBO income		14,038
Federal grants		30,000
County grants		405,152
Gain on sale of land		27,170
Miscellaneous		50,509
TOTAL OPERATING REVENUES	$	649,133
OPERATING EXPENSES		
Salaries and benefits	$	89,312
Payroll tax		5,314
Legal and professional services		47,212
Dues and subscriptions		1,321
Insurance		13,527
Cooke property expenses		359,754
AWOS expenses		5,678
Conferences		100
Utilities		19,944
Fuel		8,330
Repairs and maintenance		59,187
Office and other supplies		7,811
Projects		15,217
COVID-19 small business grants		210,015
Depreciation		280,108
Miscellaneous		15,895
TOTAL OPERATING EXPENSES	$	1,138,725
OPERATING INCOME (LOSS)	$	(489,592)
NONOPERATING REVENUES (EXPENSES)		
Foundation grant	$	359,076
Interest income		127
Interest expense - foundation		(4,108)
TOTAL NONOPERATING REVENUES (EXPENSES)	$	355,095
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	$	(134,497)
CAPITAL CONTRIBUTIONS		
Virginia state grant	$	30,835
Increase (decrease) in net position	$	(103,662)
Net position, beginning of year		4,511,724
Net position, end of year	$	4,408,062

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUISA COUNTY, VIRGINIA

Statement of Cash Flows
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
County appropriations and operating grants	$	435,152
Receipts from customers and users		193,621
Payments to employees		(76,988)
Payments to suppliers		(830,670)
Net Cash Provided by (Used for) Operating Activities	$	(278,885)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State nonoperating contributions	$	30,835
Grant for loan interest		359,076
Proceeds from VRA loan		189,182
Interest and fiscal charges		(4,108)
Acquisition and construction of hangar		(207,179)
Net Cash Provided by (Used for) Capital and Related Financing Activities	$	367,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	$	127
Proceeds from sale of land		35,000
Net Cash Provided by (Used for) Investing Activities	$	35,127
Net Increase (Decrease) in Net Position In Cash	$	124,048
Cash and Cash Equivalents, beginning of year		66,910
Cash and Cash Equivalents, end of year	$	190,958
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$	(489,592)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		280,108
Gain on sale of land		(27,170)
Changes in operating assets and liabilities:		
(Increase) Decrease in Prepaid Expense		(4,265)
Increase (Decrease) in Accounts Payable and Accrued Expenses		(57,100)
Increase (Decrease) in Compensated Absences		12,324
Increase (Decrease) in Tenant Prepaid		6,810
Net Cash Provided by (Used for) Operating Activities	$	(278,885)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity:

Industrial Development Authority of Louisa County, Virginia (the "Authority") was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of Louisa County on February 6, 1978, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 33, Section 15.1-1373, et seq., of the *Code of Virginia* (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of Louisa County, Virginia. The essential purpose of the Authority is to provide a source of financing for industries locating their facilities in the County and to manage the airport located on the property.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

B. Financial Reporting Entity:

Related Organization: The Industrial Development Authority of Louisa County has been determined to be a related organization to the County of Louisa, Virginia because the Board of Supervisors appoints the board members of the Authority. Because no inherent financial benefit or burden exists between the County and the Authority, the County is not financially accountable for the Authority. Therefore, the financial statements of the Authority are not included in the County's financial statements.

C. Basic Financial Statements:

Management's Discussion and Analysis

Financial statements are accompanied by a narrative introduction and analytical overview of the Authority's financial activities in the form of "Management's Discussion and Analysis" (MD&A). Management has elected to omit the Management's discussion and analysis in these financial statements

Enterprise Fund Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only financial statements for Enterprise Funds. For the Authority, the basic financial statements consist of the following:

a) Statement of Net Position
b) Statement of Revenues, Expenses, and Changes in Net Position
c) Statement of Cash Flows
d) Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement Focus and Basis of Accounting:

The Authority operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The accompanying financial statements are prepared in accordance with pronouncements issued by GASB. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are tenant rent charges, Fixed Base Operator (FBO) fees, and operating grants from the County. Operating expenses include airport operational expenses, payroll, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority's cash and cash equivalents consist of cash on hand and money market funds, both of which are readily convertible to known amounts of cash.

F. Land for Resale:

The Authority holds 275 acres of saleable land, valued at historical cost $609,249, less land sold of $7,830, as well as the Cooke Industrial Rail Park, which contains 807 acres, and is held at the value for which it was purchased in 2014 of $7,200,000, less land sold of $19,444. Costs related to Land for Resale are charged against income on a per acre basis when sold.

G. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at cost on the date of purchase or acquisition value on 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. There was no interest capitalized during the fiscal year.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Airport and Terminal	10 to 40 years
Buildings	15 to 40 years
Furniture and Equipment	5 to 10 years

Depreciation expense totaled $280,108 for the year ended June 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Use of Estimates

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

I. Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2021.

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 Authority does not have any deferred inflows of resources as of June 30, 2021.

J. Net Position

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.Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Net Position: (Continued)

Net Position Flow Assumption – Sometimes the Authority 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 government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

The Authority has no formal investment policy addressing the various risks related to investments. The Authority has no investments as of June 30, 2021.

NOTE 3 - CAPITAL ASSETS:

A summary of changes in capital assets for the year follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 479,740	$ -	$ -	$ 479,740
Construction in progress	527,799	190,096	73,157	644,738
Total capital assets not being depreciated	$ 1,007,539	$ 190,096	$ 73,157	$ 1,124,478
Capital assets being depreciated:				
Airfield, fueling, and apron	$ 6,751,973	$ -	$ -	$ 6,751,973
Hangars	1,179,532	90,240	-	1,269,772
Parking lot and roadways	460,219	-	-	460,219
Fueling systems	170,312	-	-	170,312
Buildings	537,931	-	-	537,931
Equipment	133,212	-	-	133,212
Capital assets being depreciated	$ 9,233,179	$ 90,240	$ -	$ 9,323,419
Accumulated depreciation:				
Airfield, fueling, apron	$ (4,175,913)	$ (251,906)	$ -	$ (4,427,819)
Hangars	(1,170,665)	(5,703)	-	(1,176,368)
Parking lot and roadways	(460,219)	-	-	(460,219)
Fueling systems	(107,101)	(6,321)	-	(113,422)
Buildings	(295,202)	(13,592)	-	(308,794)
Equipment	(128,041)	(2,586)	-	(130,627)
Total accumulated depreciation	$ (6,337,141)	$ (280,108)	$ -	$ (6,617,249)
Capital assets being depreciated, net	$ 2,896,038	$ (189,868)	$ -	$ 2,706,170
Capital assets, net	$ 3,903,577	$ 228	$ 73,157	$ 3,830,648

NOTE 4 - LONG-TERM OBLIGATIONS:

Changes in long-term obligations:

	Beginning Balance	Issuances/ Additions	Retirements/ Deletions	Ending Balance	Due Within One Year
Direct Borrowings:					
Note Payable - 208 land	$ 7,180,056	$ -	$ -	$ 7,180,056	$ -
VRA loan	-	189,182	-	189,182	5,766
Compensated absences	9,859	2,465	-	12,324	1,232
Total long-term obligations	$ 7,180,056	$ 189,182	$ -	$ 7,369,238	$ 5,766

NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize the Authority's long-term obligations and related interest are as follows:

Year Ending June 30,	Direct Borrowings Note Payable - 208 Land Principal	Direct Borrowings Note Payable - 208 Land Interest	Direct Borrowings VRA Loan Principal	Direct Borrowings VRA Loan Interest	Total Principal	Total Interest
2022	$ -	$ 359,003	$ 5,766	$ 5,520	$ 5,766	$ 364,523
2023	-	359,003	11,772	10,800	11,772	369,803
2024	-	359,003	12,099	10,473	12,099	369,476
2025	-	359,003	12,435	10,137	12,435	369,140
2026	-	359,003	12,781	9,791	12,781	368,794
2027-2031	-	1,795,015	69,434	43,427	69,434	1,838,442
2032-2034	7,180,056	1,077,009	275,713	62,871	7,455,769	1,139,880
Total	$ 7,180,056	$ 4,667,039	$ 400,000	$ 153,019	$ 7,580,056	$ 4,820,058
Undrawn portion of loan	-	-	210,818	-	210,818	-
Total loan outstanding	$ 7,180,056	$ 4,667,039	$ 189,182	$ 153,019	$ 7,369,238	$ 4,820,058

On June 12, 2014, the Authority purchased 807 acres zoned industrial for $7,200,000. This land was financed by a non-recourse note payable over 20 years, principal on which will be due only as land is sold, and interest payable annually at a rate of 5%. The note is secured by the aforementioned land.

A local foundation has made a 20-year grant to the Authority providing annual grants of not less than the annual interest due on the non-recourse note.

On May 1, 2021, the Authority entered into a financing agreement with the Virginia Resource Authority (VRA). Under the terms of the financing agreement, the Authority may request funds up to $400,000 in total from the VRA. Any funds received by the Authority accrue interest at a rate of 2.76%, with the payment of accrued interest only payable in December 2021. Beginning in June 2022, semi-annual payments of $11,286 will be made towards any principal and interest outstanding on the loan, with any remaining balance due in June 2046. As of June 30, 2021, $189,182 had been received from the VRA.

NOTE 5 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment, through the County of Louisa, Virginia. 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. However, two other entities, the County of Louisa, Virginia and the Louisa County Water Authority, participate in the same VRS plan and report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

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

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit 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.

NOTE 5 - PENSION PLAN: (CONTINUED)

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. 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. 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.

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 Authority's contractually required employer contribution rate for the year ended June 30, 2021 was 8.51% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

As previously disclosed, the Authority participates in VRS through the County of Louisa, Virginia and accordingly does not receive a separately issued actuarial valuation. Additionally, the Authority only has one employee who is eligible to contribute to VRS. Accordingly, the Authority's allocable portion of the County's VRS liability and other VRS data is immaterial and will not be reported in this report.

NOTE 6 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

The Authority participates in the VRS sponsored GLI Plan through the County of Louisa, Virginia as the fiscal agent. The Authority does not have a separate GLI 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 program, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the Plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of living adjustment calculation. The minimum benefit, adjusted for the COLA was $8,616 as of June 30, 2021.

NOTE 6 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

As previously disclosed, the Authority participates in the GLI plan through Louisa County, Virginia and accordingly does not receive a separately issued actuarial valuation. Additionally, the Authority only has one employee who is eligible to participate in the GLI plan. Accordingly, the Authority's allocable portion of the County's GLI OPEB liability and other GLI data is immaterial and will not be reported in this report.

NOTE 7 – RELATED PARTY TRANSACTIONS:

Significant transactions between the Louisa Industrial Authority and the County of Louisa are summarized below:

Amount contributed by the County for operations	$ 405,152

NOTE 8 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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. 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.

NOTE 8 – UPCOMING ACCOUNTING PRONOUNCEMENTS: (CONTINUED)

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.

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 9 – COVID-19 PANDEMIC:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Authority, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and the disbursement of small business grants to the local community. Federal relief has been received through various programs. Management believes the Authority is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

NOTE 10 – SUBSEQUENT EVENTS

In June of 2021, the Authority began negotiations with a potential buyer for 16.93 acres of land. The Authority expects to receive $169,300 in proceeds upon the closing of this sale. As of the date of the financial statements, the sale had not yet been completed and no proceeds have yet been received.

Compliance

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
Industrial Development Authority of Louisa County, Virginia
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 Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Industrial Development Authority of Louisa County, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Louisa County, Virginia's basic financial statements and have issued our report thereon dated March 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Louisa County, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Authority of Louisa County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Louisa County, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Charlottesville, Virginia
March 1, 2022

INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUISA COUNTY, VIRGINIA

Schedule of Findings and Responses
Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 Material Weakness – Segregation of Duties

Criteria: A key concept of internal controls is the segregation of duties. Responsibility for key duties should be designated to different individuals, so that no one individual is responsible for the entirety of a transaction.

Condition: During the audit, it was noted that the Authority lacks proper segregation of duties, as all responsibilities within the Authority have been assigned to the Airport Manager.

Cause: The Authority retains only one employee, thus making segregation of duties impossible without bringing on additional employees.

Effect: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.

Recommendation:

The Authority should separate financial duties as much as possible and implement oversight measures to mitigate potential risks of fraud.

Management Response:

We concur with the recommendation. Going forward, the Board will increase oversight of the Authority's operations to try and mitigate any potential risk of fraud.

SECTION III – SUMMARY OF PRIOR AUDIT FINDINGS

2020-001 Material Weakness – Segregation of Duties

Current status:

No corrective action taken. This finding is repeated as 2021-001.