

**TOWN OF LOUISA, VIRGINIA**

**FINANCIAL REPORT**

**June 30, 2015**

# **TOWN OF LOUISA, VIRGINIA**

## **TABLE OF CONTENTS**

### **INTRODUCTORY SECTION**

	Page
Directory of Principal Officials .....	5

### **FINANCIAL SECTION**

<b>Independent Auditor's Report</b> .....	7
-------------------------------------------	---

#### **Basic Financial Statements**

##### **Government-Wide Financial Statements**

Exhibit 1	Statement of Net Position .....	11
Exhibit 2	Statement of Activities .....	12

##### **Fund Financial Statements**

Exhibit 3	Balance Sheet – Governmental Fund .....	13
Exhibit 4	Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	14
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	15
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	16
Exhibit 7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – (Cash Basis) .....	17
Exhibit 8	Statement of Net Position – Proprietary Funds .....	18
Exhibit 9	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	19
Exhibit 10	Statement of Cash Flows – Proprietary Funds .....	20

<b>Notes to Financial Statements</b> .....	21
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### **REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit 11	Schedule of Changes in Net Pension Liability and Related Ratios .....	63
Exhibit 12	Schedule of Pension Contributions .....	64
Notes to Required Supplementary Information .....		65

## TOWN OF LOUISA, VIRGINIA

### TABLE OF CONTENTS (Continued)

#### OTHER SUPPLEMENTARY INFORMATION

##### **Discretely Presented Component Unit – Louisa Economic Development Authority**

Exhibit A-1	Statement of Net Position – Proprietary Fund .....	67
Exhibit A-2	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....	68
Exhibit A-3	Statement of Cash Flows – Proprietary Fund .....	69

#### COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71
Independent Auditor’s Report on Compliance for Each Major Program and Internal Control Over Compliance Required by <i>OMB Circular A-133</i> .....	73
Summary of Compliance Matters .....	75
Schedule of Findings and Questioned Costs.....	76
Schedule of Expenditures of Federal Awards.....	77
Notes to the Schedule of Expenditures of Federal Awards.....	80

## INTRODUCTORY SECTION

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**TOWN OF LOUISA, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2015**

**TOWN COUNCIL**

R. Garland Nuckols, Mayor  
Mary J. Clarke, Vice Mayor  
Andy Wade  
Matthew L. Kersey, Jr.  
Warren Gehle  
A. Daniel Carter

**GENERAL TOWN GOVERNMENT**

Tom Filer..... Town Manager  
Liz Nelson ..... Treasurer  
Ronnie Roberts..... Police Chief  
Jessica C. Ellis ..... Town Clerk  
Jeffrey S. Gore ..... Town Attorney

**INDEPENDENT AUDITORS**

Brown, Edwards & Company, L.L.P.

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council  
Town of Louisa, Virginia  
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 the Town of Louisa, Virginia, (the "Town") as of and for the year ended June 30, 2015, 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.

### ***Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Louisa, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 11 to the financial statements, in 2015 the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the other required supplementary information, as listed in the table of contents, 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 historic 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.

Management has omitted the 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

***Other Matters (Continued)***

***Other Information (Continued)***

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the 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 28, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Louisa's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
October 28, 2015

## **BASIC FINANCIAL STATEMENTS**

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## TOWN OF LOUISA, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business- Type Activities	Total	Louisa Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 767,018	\$ 485,598	\$ 1,252,616	\$ 44,363
Cash and cash equivalents, restricted (Note 2)	53,825	764,163	817,988	-
Receivables, net (Note 3)	135,155	110,129	245,284	-
Due from other governments (Note 3)	297,704	206,196	503,900	-
Internal balances (Note 4)	1,632,901	(1,632,901)	-	-
Net pension asset (Note 7)	127,844	54,392	182,236	-
Capital assets: (Note 5)				
Nondepreciable	1,736,014	436,815	2,172,829	-
Depreciable, net	4,980,270	6,067,846	11,048,116	-
Total assets	9,730,731	6,492,238	16,222,969	44,363
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions made subsequent to the measurement date	29,586	12,588	42,174	-
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	114,063	371,917	485,980	-
Accrued interest	2,767	3,093	5,860	-
Unearned revenue (Note 7)	-	52,500	52,500	-
Deposits payable	-	61,659	61,659	-
Noncurrent liabilities: (Note 6)				
Due within one year	67,118	144,808	211,926	-
Due in more than one year	1,838,310	3,162,002	5,000,312	-
Total liabilities	2,022,258	3,795,979	5,818,237	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual investment earnings on pension plan investments	91,132	38,773	129,905	-
<b>NET POSITION</b>				
Net investment in capital assets	4,859,407	3,249,204	8,108,611	-
Restricted for cemeteries	53,825	714,549	768,374	-
Restricted for capital projects	-	49,614	49,614	-
Unrestricted	2,733,695	(1,343,293)	1,390,402	44,363
Total net position	\$ 7,646,927	\$ 2,670,074	\$ 10,317,001	\$ 44,363

## TOWN OF LOUISA, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Presented Component Unit Louisiana Economic Development Authority
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental activities								
General administration	\$ 571,737	\$ 9,182	\$ -	\$ -	\$ (562,555)		\$ (562,555)	
Public safety	370,420	-	46,168	-	(324,252)		(324,252)	
Public works	168,216	12,865	1,112	998,027	843,788		843,788	
Oakland cemetery	16,078	-	-	-	(16,078)		(16,078)	
Community development	24,826	720	-	-	(24,106)		(24,106)	
Interest on long-term debt	78,211	-	-	-	(78,211)		(78,211)	
Total governmental activities	1,229,488	22,767	47,280	998,027	(161,414)		(161,414)	
Business-type activities								
Water	509,166	459,111	-	343,130		293,075	293,075	
Sewer	647,809	442,867	-	-		(204,942)	(204,942)	
Hillcrest cemetery	66,193	8,850	-	-		(57,343)	(57,343)	
Total business-type activities	1,223,168	910,828	-	343,130		30,790	30,790	
Total primary government	\$ 2,452,656	\$ 933,595	\$ 47,280	\$ 1,341,157	(161,414)	30,790	(130,624)	
Discretely presented component unit:								
Louisiana Economic Development Authority	\$ 12,368	\$ 2,220	\$ -	\$ -				(10,148)
General revenues:								
Property taxes					305,391	-	305,391	-
Meals taxes					511,583	-	511,583	-
Business and professional license taxes					203,824	-	203,824	-
Sales taxes					57,440	-	57,440	-
Bank franchise taxes					93,376	-	93,376	-
Other local taxes					14,753	-	14,753	-
Investment earnings					11,396	9,193	20,589	102
Other					33,885	-	33,885	-
Transfers					46,645	(46,645)	-	-
Total general revenues					1,278,293	(37,452)	1,240,841	102
Change in net position					1,116,879	(6,662)	1,110,217	(10,046)
NET POSITION AT JULY 1, AS RESTATED (Note					6,530,048	2,676,736	9,206,784	54,409
NET POSITION AT JUNE 30					\$ 7,646,927	\$ 2,670,074	\$ 10,317,001	\$ 44,363

## TOWN OF LOUISA, VIRGINIA

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2015

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 767,018
Cash and cash equivalents, restricted	53,825
Receivables, net	135,155
Interfund receivables	1,632,901
Due from other governments	297,704
Total assets	<u>\$ 2,886,603</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 114,063
Total liabilities	<u>114,063</u>
Deferred inflows of resources:	
Unavailable revenue	<u>73,472</u>
Fund balance:	
Nonspendable long-term amounts due from other funds	1,657,901
Restricted for cemetery	53,825
Unassigned	987,342
Total fund balance	<u>2,699,068</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,886,603</u>

## TOWN OF LOUISA, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2015**

**Ending fund balance – governmental fund** **\$ 2,699,068**

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

Nondepreciable	\$ 1,736,014	
Depreciable, net	<u>4,980,270</u>	
		6,716,284

Certain revenues are not available to pay for current period expenditures are not reported in the governmental fund.	73,472
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Financial statement elements resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources for 2015 employer contributions	\$ 29,586	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(91,132)	
Net pension asset	<u>127,844</u>	
		66,298

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	\$ (2,767)	
Compensated absences	(48,551)	
Long-term debt	<u>(1,856,877)</u>	
		<u>(1,908,195)</u>

<b>Total net position – governmental activities</b>	<b><u><u>\$ 7,646,927</u></u></b>
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## TOWN OF LOUISA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2015**

	<u>General</u>
<b>REVENUES</b>	
Property taxes	\$ 293,715
Meals taxes	511,583
Business and professional license	203,824
Other local taxes	165,569
Permits, privilege fees, and regulatory licenses	720
Fines and forfeitures	9,182
Charges for services	12,865
Intergovernmental	1,045,307
Revenues from the use of money and property	11,396
Other	33,885
Total revenues	<u>2,288,046</u>
<b>EXPENDITURES</b>	
Current:	
General government	525,907
Public safety	379,254
Public works	166,835
Oakland cemetery	16,972
Capital outlay	1,250,202
Debt service:	
Principal retirement	30,546
Interest and other fiscal charges	78,248
Total expenditures	<u>2,447,964</u>
Excess (deficiency) of revenues over expenditures	(159,918)
<b>OTHER FINANCING SOURCES</b>	
Transfers (Note 4)	<u>46,645</u>
Net change in fund balance	(113,273)
<b>FUND BALANCE AT JULY 1</b>	<u>2,812,341</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 2,699,068</u></u>

## TOWN OF LOUISA, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

**Net change in fund balance – total governmental fund** \$ (113,273)

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	1,250,202	
Depreciation expense	(134,533)	
		1,115,669

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

Change in unavailable revenue		11,676
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Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	29,586	
Pension expense	(133)	
		29,453

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 current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal repayments		30,546
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The repayment of certain long-term liabilities consumes current financial resources of governmental funds and, therefore are recorded as expenditures in governmental funds.

		29,971
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The net effect of the change in accrued interest expense, which is not reflected in the fund statements.

		37
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Long-term compensated absences are reported in the Statement of Activities but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.

		12,800
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<b>Change in net position of governmental activities</b>		<b>\$ 1,116,879</b>
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## TOWN OF LOUISA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND (CASH BASIS)  
Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 306,178	\$ 306,178	\$ 305,086	\$ (1,092)
Meals taxes	490,000	490,000	525,069	35,069
Business and professional license	215,000	215,000	204,313	(10,687)
Other local taxes	152,451	152,451	166,440	13,989
Permits, privilege fees, and regulatory licenses	5,950	5,950	720	(5,230)
Fines and forfeitures	10,510	10,510	9,224	(1,286)
Charges for services	14,620	14,620	4,734	(9,886)
Intergovernmental	831,123	831,123	829,766	(1,357)
Revenues from the use of money and property	17,400	17,400	11,396	(6,004)
Other	23,686	23,686	33,885	10,199
Total revenues	2,066,918	2,066,918	2,090,633	23,715
<b>EXPENDITURES</b>				
Current:				
General government	513,487	513,487	509,894	3,593
Public safety	447,840	447,840	370,270	77,570
Public works	202,398	202,398	166,481	35,917
Oakland cemetery	14,744	14,744	17,040	(2,296)
Capital outlay	784,205	784,205	1,250,202	(465,997)
Debt service:				
Principal retirement	104,244	104,244	30,546	73,698
Interest and other fiscal charges	-	-	78,248	(78,248)
Total expenditures	2,066,918	2,066,918	2,422,681	(355,763)
Excess of expenditures over revenues	-	-	(332,048)	(332,048)
<b>TRANSFERS</b>	-	-	46,645	46,645
Net change in fund balance	\$ -	\$ -	\$ (285,403)	\$ (285,403)

**TOWN OF LOUISA, VIRGINIA**  
**STATEMENT OF NET POSITION –**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Hillcrest Cemetery</b>	<b>Total</b>
<b>ASSETS</b>				
Current:				
Cash and cash equivalents	\$ 459,922	\$ -	\$ 25,676	\$ 485,598
Cash and cash equivalents, restricted	48,189	1,425	714,549	764,163
Receivables, net	56,495	53,634	-	110,129
Due from other governments	206,196	-	-	206,196
Total current assets	<u>770,802</u>	<u>55,059</u>	<u>740,225</u>	<u>1,566,086</u>
Noncurrent:				
Net pension asset	20,846	22,692	10,854	54,392
Capital assets:				
Nondepreciable	329,552	-	107,263	436,815
Depreciable, net	<u>2,658,679</u>	<u>3,406,536</u>	<u>2,631</u>	<u>6,067,846</u>
Total noncurrent assets	<u>3,009,077</u>	<u>3,429,228</u>	<u>120,748</u>	<u>6,559,053</u>
Total assets	<u>3,779,879</u>	<u>3,484,287</u>	<u>860,973</u>	<u>8,125,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions made subsequent to the measurement date	<u>4,824</u>	<u>5,252</u>	<u>2,512</u>	<u>12,588</u>
<b>LIABILITIES</b>				
Current:				
Accounts payable and accrued liabilities	272,166	70,915	31,929	375,010
Unearned revenue	-	52,500	-	52,500
Deposits payable	30,213	31,446	-	61,659
Interfund payables	664,944	691,989	275,968	1,632,901
Current portion of long-term debt	<u>11,738</u>	<u>126,727</u>	<u>6,343</u>	<u>144,808</u>
Total current liabilities	<u>979,061</u>	<u>973,577</u>	<u>314,240</u>	<u>2,266,878</u>
Noncurrent:				
Long-term debt	203,357	2,948,376	-	3,151,733
Compensated absences	<u>2,933</u>	<u>5,751</u>	<u>1,585</u>	<u>10,269</u>
Total noncurrent liabilities	<u>206,290</u>	<u>2,954,127</u>	<u>1,585</u>	<u>3,162,002</u>
Total liabilities	<u>1,185,351</u>	<u>3,927,704</u>	<u>315,825</u>	<u>5,428,880</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual investment earnings on pension plan investments	<u>14,860</u>	<u>16,176</u>	<u>7,737</u>	<u>38,773</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,784,874	354,436	109,894	3,249,204
Restricted for:				
Capital projects	48,189	1,425	-	49,614
Hillcrest cemetery	-	-	714,549	714,549
Unrestricted	<u>(248,571)</u>	<u>(810,202)</u>	<u>(284,520)</u>	<u>(1,343,293)</u>
Total net position (deficit)	<u>\$ 2,584,492</u>	<u>\$ (454,341)</u>	<u>\$ 539,923</u>	<u>\$ 2,670,074</u>

## TOWN OF LOUISA, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Hillcrest Cemetery</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 429,991	\$ 420,002	\$ -	\$ 849,993
Connection fees	29,120	22,865	-	51,985
Sale of lots and permits	-	-	8,850	8,850
Total operating revenues	459,111	442,867	8,850	910,828
<b>OPERATING EXPENSES</b>				
Salaries	86,961	93,595	52,610	233,166
Fringe benefits	12,907	13,670	4,976	31,553
Maintenance	34,475	33,254	5,042	72,771
Materials and supplies	8,821	2,260	319	11,400
Purchases from Louisa County Water Authority	212,503	363,298	-	575,801
Other	18,344	10,808	1,983	31,135
Depreciation	135,155	57,002	1,263	193,420
Total operating expenses	509,166	573,887	66,193	1,149,246
Operating loss	(50,055)	(131,020)	(57,343)	(238,418)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	797	830	7,566	9,193
Interest expense	-	(73,922)	-	(73,922)
Net nonoperating revenue (expenses)	797	(73,092)	7,566	(64,729)
Loss before contributions and transfers	(49,258)	(204,112)	(49,777)	(303,147)
<b>CAPITAL CONTRIBUTIONS</b>	343,130	-	-	343,130
<b>TRANSFERS (Note 4)</b>	(201,899)	155,254	-	(46,645)
Change in net position	91,973	(48,858)	(49,777)	(6,662)
<b>NET POSITION (DEFICIT) AT JULY 1, as restated (Note 11)</b>	2,492,519	(405,483)	589,700	2,676,736
<b>NET POSITION (DEFICIT) AT JUNE 30</b>	<u>\$ 2,584,492</u>	<u>\$ (454,341)</u>	<u>\$ 539,923</u>	<u>\$ 2,670,074</u>

## TOWN OF LOUISA, VIRGINIA

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Hillcrest Cemetery</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 439,322	\$ 441,606	\$ 8,850	\$ 889,778
Payments to suppliers	(95,949)	(342,283)	24,133	(414,099)
Payments to employees	(103,470)	(108,440)	(60,969)	(272,879)
Net cash provided by (used in) operating activities	239,903	(9,117)	(27,986)	202,800
<b>NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers from (to) other funds	(201,899)	155,254	-	(46,645)
Proceeds due to other funds	1,074	1,021	-	2,095
Net cash provided by (used in) noncapital financing activities	(200,825)	156,275	-	(44,550)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from long-term debt	203,357	1,029,036	-	1,232,393
Intergovernmental grants	147,367	-	-	147,367
Acquisition and construction of capital assets	(563,973)	(138,546)	(95,373)	(797,892)
Principal paid on debt	-	(1,029,489)	-	(1,029,489)
Interest paid on debt	-	(73,877)	-	(73,877)
Net cash used in capital and related financing activities	(213,249)	(212,876)	(95,373)	(521,498)
<b>INVESTING ACTIVITIES</b>				
Interest received	797	830	7,566	9,193
Net cash provided by investing activities	797	830	7,566	9,193
Net decrease in cash and cash equivalents	(173,374)	(64,888)	(115,793)	(354,055)
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning at July 1	681,485	66,313	856,018	1,603,816
Ending at June 30	\$ 508,111	\$ 1,425	\$ 740,225	\$ 1,249,761
<b>RECONCILIATION TO EXHIBIT 8</b>				
Cash and cash equivalents	\$ 459,922	\$ -	\$ 25,676	\$ 485,598
Cash and cash equivalents, restricted	48,189	1,425	714,549	764,163
	\$ 508,111	\$ 1,425	\$ 740,225	\$ 1,249,761
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating loss	\$ (50,055)	\$ (131,020)	\$ (57,343)	\$ (238,418)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	135,155	57,002	1,263	193,420
Pension expense net of employer contributions	(4,802)	(5,228)	(2,501)	(12,531)
Change in certain assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(20,651)	(2,159)	-	(22,810)
Increase (decrease) in:				
Accounts payable and accrued liabilities	178,194	67,337	31,477	277,008
Deposits payable	862	898	-	1,760
Compensated absences	1,200	4,053	(882)	4,371
Net cash provided by (used in) operating activities	\$ 239,903	\$ (9,117)	\$ (27,986)	\$ 202,800
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capitalized interest	\$ 1,694	\$ 19,368	\$ -	\$ 21,062

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

**Primary Government.** The Town of Louisa (the “Town”) was established in 1873. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. Town Council consists of a mayor, a vice mayor, and four other council members. The Town is part of Louisa County and has taxing powers subject to statewide restrictions and tax limits.

The Town provides a full range of municipal services including police, trash collection, public improvements, general administrative services, fire and rescue, recreation, and water and sewer services. Fire and first aid services are provided by the County and supplemented by volunteer departments.

**Discretely Presented Component Unit.** A discretely presented component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

**Louisa Economic Development Authority**

The Louisa Economic Development Authority (the “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.

The Town has no related or jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

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 Town. *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.

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 and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

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.

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.

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

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses of the water and sewer fund include the cost 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. Budgets and Budgetary Accounting**

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

- 1) Prior to June 30<sup>th</sup>, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an appropriations ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The appropriations ordinance places legal restrictions on expenditures at the function level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on the cash basis.
- 7) Appropriations lapse on June 30<sup>th</sup> for all Town units.
- 8) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30<sup>th</sup>.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting (Continued)**

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

	<u><b>General Fund</b></u>
Net change in fund balance (non-GAAP budgetary cash basis)	\$ (285,403)
Modified accrual basis adjustments	<u>172,130</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (113,273)</u></u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, meals taxes and utility taxes. Business-type activities report utility services as the major receivable. The Town grants credit to the customers of its water and sewer systems.

The Town records an allowance for uncollectible accounts based on historical information.

The Town has a note receivable from Louisa Downtown Development Corporation in the amount of \$25,000 that is due in 2016.

**G. Property Taxes**

Real estate taxes are levied and attached as an enforceable lien by the Town of Louisa, Virginia, for all property of record as of January 1<sup>st</sup>. The Town collects real estate taxes on an annual basis. The portion of the tax receivable that is not collected within 60 days after year end is shown as deferred revenue in the fund financial statements. The tax rate assessed for the year ended June 30<sup>th</sup> was \$0.1635 and \$0.71 per \$100 valuation of real estate and tangible personal property, respectively. A penalty of 10 percent of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts at an annual rate of 10 percent.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets**

Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the government as assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	10-50 years

**I. Capitalization of Interest**

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was \$21,062 of capitalized interest in the current year.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one item that qualifies for reporting in this category, which consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

**K. Unearned Revenue**

The proprietary fund reports *unearned revenue* for connection fees that a developer prepaid but for which the Town has not yet made connections.

**L. Deposits Payable**

The proprietary fund reports *deposits payable* for security deposits on utility accounts. The deposits are fully refundable when service is cancelled and after amounts due on account are settled.

**M. Compensated Absences**

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and compensatory leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

**N. Pension**

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

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**O. Long-Term Debt**

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt generally consists primarily of bonds and loans payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as an expenditure. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

**P. Net Position/Fund Balance**

Net position in government-wide and proprietary financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted amounts represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental fund.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by Council.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by 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**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Q. Restricted Resources**

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**R. Minimum Fund Balance Policy**

The Town's policy is to maintain an unassigned fund balance in the general fund equal to \$1 million or 50% of total general fund revenues, whichever is greater. The water and sewer funds should maintain an unrestricted net position of no less than 200% of operating revenues. The Town did not meet the minimum requirements for the current year.

**S. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds.

**T. Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

**Note 2. Deposits and Investments**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or 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.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 2. Deposits and Investments (Continued)**

**Investments**

Investment Policy:

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

As of June 30<sup>th</sup>, the Town had the following deposits and investments:

Type	<u>Primary Government</u>	<u>Component Unit - EDA</u>
Demand deposits	\$ 791,666	\$ 44,363
Certificates of Deposit	844,811	-
Money market	27,391	-
LGIP	406,736	-
	<u>\$ 2,070,604</u>	<u>\$ 44,363</u>
Reconciliation of deposits and investments to Exhibit 1:		
Cash and cash equivalents	\$ 1,252,616	\$ 44,363
Cash and cash equivalents, restricted	817,988	-
Total deposits and investments	<u>\$ 2,070,604</u>	<u>\$ 44,363</u>

Credit Risk:

As required by state statute, commercial paper must have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

Concentration of Credit Risk:

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk:

As of June 30<sup>th</sup>, all certificates of deposit have original maturities less than fifteen months. The Town does not have a formal policy limiting investment maturities.

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30<sup>th</sup>, the Town has no investments subject to custodial credit risk.

Restricted Amounts:

Restricted cash and cash equivalents consist of \$53,825 for Oakland Cemetery, \$714,549 for Hillcrest Cemetery, \$48,189 for the water fund, and \$1,425 for the sewer fund. Cemetery amounts are restricted to perpetually maintain and care for lots. Water and sewer amounts are restricted for maintenance and upgrades to the water system and wastewater treatment plant, respectively.

**Note 3. Receivables and Due from Other Governments**

Receivables are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables				
Taxes	\$ 45,022	\$ -	\$ -	\$ 45,022
Billed accounts	74,638	30,390	31,630	136,658
Unbilled accounts	-	38,039	34,425	72,464
Sales tax	11,506	-	-	11,506
Note receivable	25,000	-	-	25,000
	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	156,166	68,429	66,055	290,650
Less: allowance for uncollectibles	(21,011)	(11,934)	(12,421)	(45,366)
	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	\$ 135,155	\$ 56,495	\$ 53,634	\$ 245,284

Due from other governments consist of grant reimbursements for the Downtown Development Project and water improvement projects.

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 4. Interfund Activity**

Receivables and Payables

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 664,944
General	Sewer	691,989
General	Hillcrest Cemetery	275,968
		<u>\$ 1,632,901</u>

Interfund balances are the result of past cash deficits in the Water, Sewer, and Hillcrest Cemetery funds. The balances are not expected to be repaid in the near future, but repayment is expected to occur.

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
General	\$ 48,148	\$ (1,503)	\$ 46,645
Water	736	(202,635)	(201,899)
Sewer	179,810	(24,556)	155,254
	<u>\$ 228,694</u>	<u>\$ (228,694)</u>	<u>\$ -</u>

Transfers between funds are to support the general operating expenditures of the Town.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 5. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance As restated (Note 11)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Land	\$ 86,573	\$ -	\$ -	\$ 86,573
Construction in progress	422,976	1,226,465	-	1,649,441
Total capital assets, not depreciated	509,549	1,226,465	-	1,736,014
Capital assets, depreciated				
Buildings and improvements	6,061,247	6,048	-	6,067,295
Machinery and equipment	384,579	17,689	-	402,268
Vehicles	321,834	-	-	321,834
Infrastructure	24,854	-	7,165	17,689
Total capital assets, depreciated	6,792,514	23,737	7,165	6,809,086
Less accumulated depreciation for:				
Buildings and improvements	(994,776)	(122,030)	-	(1,116,806)
Machinery and equipment	(376,922)	(7,042)	-	(383,964)
Vehicles	(304,896)	(5,461)	-	(310,357)
Infrastructure	(24,854)	-	(7,165)	(17,689)
Total accumulated, depreciation	(1,701,448)	(134,533)	(7,165)	(1,828,816)
Total capital assets, depreciated, net	5,091,066	(110,796)	-	4,980,270
Governmental activities capital assets, net	\$ 5,600,615	\$ (1,115,669)	\$ -	\$ 6,716,284

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 5. Capital Assets (Continued)**

Capital asset activity for the year was as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance As restated Note (11)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Construction in progress	\$ 3,123,348	\$ 797,892	\$ 3,484,425	\$ 436,815
Total capital assets, not depreciated	<u>3,123,348</u>	<u>797,892</u>	<u>3,484,425</u>	<u>436,815</u>
Capital assets, depreciated				
Buildings and improvements	54,948	-	-	54,948
Machinery and equipment	109,369	-	-	109,369
Vehicles	29,000	-	-	29,000
Infrastructure	5,352,621	3,484,425	-	8,837,046
Total capital assets, depreciated	<u>5,545,938</u>	<u>3,484,425</u>	<u>-</u>	<u>9,030,363</u>
Less accumulated depreciation for:				
Buildings and improvements	(54,948)	-	-	(54,948)
Machinery and equipment	(61,502)	(2,390)	-	(63,892)
Vehicles	(26,100)	(2,900)	-	(29,000)
Infrastructure	(2,626,547)	(188,130)	-	(2,814,677)
Total accumulated, depreciation	<u>(2,769,097)</u>	<u>(193,420)</u>	<u>-</u>	<u>(2,962,517)</u>
Total capital assets, depreciated, net	<u>2,776,841</u>	<u>3,291,005</u>	<u>-</u>	<u>6,067,846</u>
Business-type activities capital assets, net	<u>\$ 5,900,189</u>	<u>\$ 4,088,897</u>	<u>\$ 3,484,425</u>	<u>\$ 6,504,661</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General administration	\$ 101,717
Public safety	5,848
Public works	2,142
Community development	<u>24,826</u>
Total depreciation expense – governmental activities	<u>\$ 134,533</u>
Business-type activities	
Water	\$ 135,155
Sewer	57,002
Hillcrest cemetery	<u>1,263</u>
	<u>\$ 193,420</u>

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 6. Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
General obligation bonds	\$ 1,881,705	\$ -	\$ 25,996	\$ 1,855,709	\$ 27,109
Capital lease	5,718	-	4,550	1,168	1,168
Compensated absences	61,351	-	12,800	48,551	38,841
	<u>\$ 1,948,774</u>	<u>\$ -</u>	<u>\$ 43,346</u>	<u>\$ 1,905,428</u>	<u>\$ 67,118</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 3,052,553	\$ 1,029,036	\$ 1,029,489	\$ 3,052,100	\$ 103,725
Revolving Loan Fund Loan	-	203,357	-	203,357	-
Compensated absences	46,982	4,371	-	51,353	41,083
	<u>\$ 3,099,535</u>	<u>\$ 1,236,764</u>	<u>\$ 1,029,489</u>	<u>\$ 3,306,810</u>	<u>\$ 144,808</u>

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 27,109	\$ 77,135	\$ 1,168	\$ 8
2017	28,265	75,979	-	-
2018	29,470	74,774	-	-
2019	30,727	73,517	-	-
2020	32,037	72,207	-	-
2021-2025	181,886	339,334	-	-
2026-2030	224,124	297,045	-	-
2031-2035	276,175	245,045	-	-
2036-2040	340,317	180,903	-	-
2041-2045	419,359	101,861	-	-
2046-2049	266,240	15,861	-	-
	<u>\$ 1,855,709</u>	<u>\$ 1,553,661</u>	<u>\$ 1,168</u>	<u>\$ 8</u>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 6. Long-Term Liabilities (Continued)**

<b>Fiscal Year</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>Revolving Loan Fund Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 103,724	\$ 90,964	\$ -	\$ 4,067
2017	106,660	88,028	-	4,067
2018	109,686	85,002	5,460	4,040
2019	112,807	81,881	5,570	3,930
2020	116,025	78,663	5,682	3,818
2021-2025	632,043	341,397	30,168	17,332
2026-2030	729,184	244,256	33,325	14,175
2031-2035	842,975	130,465	36,811	10,689
2036-2040	283,941	35,831	40,662	6,838
2041-2045	15,055	112	44,916	2,584
2046-2048	-	-	763	8
	<u>\$ 3,052,100</u>	<u>\$ 1,176,599</u>	<u>\$ 203,357</u>	<u>\$ 71,548</u>

Details of long-term indebtedness are as follows:

	<b>Interest Rates</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
General obligation bonds:						
Rural Housing Service R-1	4.250%	04-08	03-48	\$ 950,000	\$ 882,775	\$ -
Rural Housing Service R-2	4.125%	04-08	03-48	550,000	509,612	-
Rural Housing Service R-3	4.125%	04-08	03-48	500,000	463,322	-
Rural Development	4.500%	11-01	09-40	1,134,400	-	931,625
Rural Development	2.625%	10-09	04-48	3,315,000	-	2,120,475
VRA Revolving Loan Fund Loan	2.000%	01-15	08-45	213,800	-	203,357
					<u>\$ 1,855,709</u>	<u>\$ 3,255,457</u>

In July 2013, the Town was awarded two Drinking Water Construction Assistance grants that consisted of a \$213,800 loan at 2% for 30 years with \$92,000 of principal forgiveness and a \$458,750 loan at 2% interest for 30 years with \$196,000 of principal forgiveness. The Town drew down on the \$213,800 loan in 2015. It is expected that the town will close the remaining funding package and build the projects during the fall of 2015 which include developing a well, water tank mixing and aeration system, and hydraulic level control valves. These projects are designed to address compliance issues in the water system in accordance with Virginia Department of Health regulations.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7.     Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the Town of Louisa, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a 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:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b></p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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**TOWN OF LOUISA, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

Retirement Contributions	Retirement Contributions	Retirement Contributions
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

Creditable Service	Creditable Service	Creditable Service
<p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Vesting</b></p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

		<p><b>Vesting (Continued)</b></p> <p><b><u>Defined Contributions Component: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b></p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Average Final Compensation</b>	<b>Average Final Compensation</b>	<b>Average Final Compensation</b>
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b>	<b>Service Retirement Multiplier</b>	<b>Service Retirement Multiplier</b>
<p><b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>VRS:</b> Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p>
<b>Sheriffs and regional jail superintendents:</b>	<b>Sheriffs and regional jail superintendents:</b>	<b>Sheriffs and regional jail superintendents:</b>
The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Same as Plan 1.	Not applicable.
<b>Political subdivision hazardous duty employees:</b>	<b>Political subdivision hazardous duty employees:</b>	<b>Political subdivision hazardous duty employees:</b>
The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Same as Plan 1.	Not applicable.
		<p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><b><u>Eligibility:</u></b></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>
<p><b><u>Eligibility:</u></b> (Continued)</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1.</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> (Continued)</p> <ul style="list-style-type: none"> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u><b>Number</b></u>
Inactive members or their beneficiaries currently receiving benefits	<u>10</u>
Inactive members:	
Vested inactive members	7
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	21
Active members	<u>13</u>
Total covered employees	<u><u>44</u></u>

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Contributions (Continued)**

**If the employer used the certified rate:** The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 5.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$61,497 and \$72,927 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, 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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, 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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – Public Safety Employees (Continued)**

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

(Continued)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
Total	100.00 %		5.83 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		8.33 %

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2013	\$ 1,812,306	\$ 1,821,764	\$ (9,458)
Changes for the year:			
Service cost	64,175	-	64,175
Interest	125,276	-	125,276
Differences between expected and actual experience	-	-	-
Contributions – employer	-	43,063	(43,063)
Contributions – employee	-	29,864	(29,864)
Net investment income	-	290,818	(290,818)
Benefit payments, including refunds of employee contributions	(45,293)	(45,293)	-
Administrative expenses	-	(1,532)	1,532
Other changes	-	16	(16)
Net changes	144,158	316,936	(172,778)
Balances at June 30, 2014	\$ 1,956,464	\$ 2,138,700	\$ (182,236)

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability (asset)	\$ 85,925	\$ (182,236)	\$ (402,627)

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$190. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	129,905
Employer contributions subsequent to the measurement date	<u>42,174</u>	<u>-</u>
Total	<u>\$ 42,174</u>	<u>\$ 129,905</u>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Defined Benefit Pension Plan (Continued)**

The \$42,174 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (32,476)
2017	(32,476)
2018	(32,476)
2019	(32,477)
Thereafter	-

**Note 8. 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. There is current litigation outstanding, but management feels that any potential unfavorable outcome would be covered by Town insurance.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 9. Commitments**

The Town leases a parking lot which is classified as an operating lease. The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2016	\$ 16,248
2017	16,735
2018	17,237
2019	17,754
2020	18,287
2021-2025	100,001
2026-2030	113,825
	<u>\$ 300,087</u>

In 2015, the State Board of Health issued a consent order against the Town. The Town is required to make planned improvements to the water system before the consent order will be released.

**Note 10. Separation of Water and Sewer Funds**

During the current year, the Town separated the previous water and sewer fund into separate funds due to a debt requirement. The financial statements are shown as if the split occurred at the end of fiscal year 2014.

Financial statement amounts that were tracked separately, such as accounts receivable, accounts payable, revenue and expenses, were separated by account number. Items such as capital assets and debt that had previously been combined in the same accounts were separated by assigning individual debt obligations and capital asset items to each fund based on the nature of the item and its underlying use. Items, such as cash and penalties and interest that were not tracked separately were split based on a percentage of the utility revenues attributed to each fund.

**Note 11. Adoption of New Standard and Prior Period Restatement**

The following is a summary of the restatements to net position:

	<u>Governmental Activities</u>	<u>Water Fund</u>
Net position, June 30, 2014, as previously stated	\$ 6,438,695	\$ 2,475,054
To record additional capital asset	54,508	3,910
To correct depreciation	<u>-</u>	<u>7,547</u>
Net position, June 30, 2014, as restated	<u>\$ 6,493,203</u>	<u>\$ 2,486,511</u>

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 11. Adoption of New Standard and Prior Period Restatement (Continued)**

In addition, in the current year the Town of Louisa, Virginia adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 68 and other prior period restatements:

	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Hillcrest Cemetery</u>
Net position, July 1, 2014, as previously stated or per above	\$ 6,493,203	\$ 2,486,511	\$ (412,023)	\$ 586,572
Recognition of pension related assets and deferred outflows in accordance with GASB No. 68	<u>36,845</u>	<u>6,008</u>	<u>6,540</u>	<u>3,128</u>
Net position, July 1, 2014, as restated	\$ <u><u>6,530,048</u></u>	\$ <u><u>2,492,519</u></u>	\$ <u><u>(405,483)</u></u>	\$ <u><u>589,700</u></u>

**Note 12. Support Agreement**

The Town entered into a non-binding moral obligation support agreement with the Louisa Downtown Development Corporation (“LDDC”) on April 17, 2007 whereby the Town pays the LDDC \$520,000 plus 5% interest in eight annual payments, the final payment being made in fiscal year 2015. The amount subject to annual appropriation as of June 30, 2015 was \$76,624. The funds were used in connection with long-term financing the LDDC used to pay reconstruction, renovation, and rehabilitation costs. Annual payments are subject to annual appropriations by Town Council.

**TOWN OF LOUISA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 13. Nonexchange Financial Guarantee**

The Town previously entered into a nonexchange financial guarantee for LDDC debt. The LDDC is a not-for-profit entity working with the Town towards the mutual benefit of an improved downtown. The debt was issued May 20, 2009 for \$1,500,000 at 4.5% interest. The amount outstanding as of June 30, 2015 was approximately \$1,406,000, maturing in fiscal year 2049. The Town guaranteed for the life of the debt. Currently, the LDDC is looking to refinance while continuing to make timely debt payments. If the LDDC were to default in the future, the Town would be required to make payments with no arrangement for recovery.

**Note 14. Conduit Debt Obligations**

From time to time, the EDA has issued bonds to provide financial assistance to entities for the facility construction, pollution control, and solid waste control. Upon repayment of the bonds, ownership of the facilities and improvements transfers to the entity served by the bond issuance. Neither the Town nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

<b>Conduit Debt Obligation</b>	<b>Outstanding Balance</b>
Region 10 2013 GO Bonds	\$ 5,557,833
VEPCO – Dominion Power 2008A GO Bonds	60,000,000
VEPCO – Dominion Power 2008B GO Bonds	62,000,000
VEPCO – Dominion Power 2008C GO Bonds	37,500,000

**Note 15. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

**TOWN OF LOUISA, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 15. New Accounting Standards (Continued)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

Management has not yet evaluated the effects, if any, of adopting these standards.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF LOUISA, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2015**

	<b>Primary Government</b>
<b>Total Pension Liability</b>	
Service cost	\$ 64,175
Interest on total pension liability	125,276
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(45,293)
	<hr/>
Net change in total pension liability	144,158
<b>Total pension liability - beginning</b>	1,812,306
<b>Total pension liability - ending</b>	<hr/> <hr/> 1,956,464
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	43,063
Contributions - employee	29,864
Net investment income	290,818
Benefit payments, including refunds of employee contributions	(45,293)
Administrative expenses	(1,532)
Other	16
	<hr/>
Net change in plan fiduciary net position	316,936
<b>Plan fiduciary net position - beginning</b>	1,821,764
<b>Plan fiduciary net position - ending</b>	<hr/> <hr/> 2,138,700
 <b>Net pension asset - ending</b>	 <hr/> <hr/> \$ (182,236)
 Plan fiduciary net position as a percentage of total pension liability	 <hr/> <hr/> 109%
 Covered employee payroll	 <hr/> <hr/> \$ 542,516
 Net pension asset as a percentage of covered employee payroll	 <hr/> <hr/> -34%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## TOWN OF LOUISA, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**June 30, 2015**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2015	\$ 61,497	\$ 61,497	\$ -	\$ 542,516	11.34%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the valuation date.

## **TOWN OF LOUISA, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2015**

#### **Note 1. Changes of Benefit Terms**

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

#### **Note 2. Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

## **OTHER SUPPLEMENTARY INFORMATION**

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## TOWN OF LOUISA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –  
LOUISA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
June 30, 2015**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 44,363
Total assets	44,363

**NET POSITION**

Unrestricted	44,363
Total net position	\$ 44,363

**EXHIBIT A-2****TOWN OF LOUISA, VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT –  
LOUISA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUND  
Year Ended June 30, 2015**

**OPERATING REVENUES**

Charges for services	\$ 2,220
Total operating revenues	<u>2,220</u>

**OPERATING EXPENSES**

Community Development	12,368
Total operating expenses	<u>12,368</u>
Operating loss	<u>(10,148)</u>

**NONOPERATING REVENUES**

Interest income	<u>102</u>
Change in net position	(10,046)

**NET POSITION AT JULY 1**54,409**NET POSITION AT JUNE 30**\$ 44,363

## TOWN OF LOUISA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –  
LOUISA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended June 30, 2015**

**OPERATING ACTIVITIES**

Receipts from customers	\$ 2,220
Payments to suppliers	(12,368)
Net cash used in operating activities	<u>(10,148)</u>

**INVESTING ACTIVITIES**

Interest received	102
Net cash provided by investing activities	<u>102</u>
Net decrease in cash and cash equivalents	<u>(10,046)</u>

**CASH AND CASH EQUIVALENTS**

Beginning at July 1	54,409
Ending at June 30	<u><u>\$ 44,363</u></u>

## COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Members of Town Council  
Town of Louisa, Virginia  
Louisa, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Louisa, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.**

## Internal Control over Financial Reporting (Continued)

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. **We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as Item 2015-005.**

## Town of Louisa's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
October 28, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Louisa, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

**In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.**

## *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The Town of Louisa's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
October 28, 2015

**TOWN OF LOUISA, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2015**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants shown below:

**STATE COMPLIANCE MATTERS**

*Code of Virginia:*

- Budget and Appropriation Laws
- Cash and Investment Laws
- Local Retirement Systems

**FEDERAL COMPLIANCE MATTERS**

*Compliance Supplement for Single Audits of State and Local Governments*  
Provisions and conditions of agreements related to federal programs selected for testing.

**LOCAL COMPLIANCE MATTERS**

Town Charter

**TOWN OF LOUISA, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2015**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Two material weaknesses and one significant deficiency** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **One instance of noncompliance** material to the financial statements was disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to major programs**.
7. The major programs of the Town are:

<u>Name of Program</u>	<u>CFDA #</u>
Capitalization Grants for Clean Water State Revolving Funds	66.468
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The Town was **not** determined to be a **low-risk auditee**.

**TOWN OF LOUISA, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2013-001: Segregation of Duties (Material Weakness)**

*Condition:*

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, accounts payable, payroll, journal entries, and information technology application access.

*Recommendation:*

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

Current staffing makes total separation of duties impossible to implement. Management will look at each function to minimize risk.

**2013-002: Audit Adjustments (Material Weakness)**

*Condition:*

We noted that there were errors which required adjustments to current year financial statements, indicating a material weakness in controls over financial reporting.

*Recommendation:*

The Town should implement steps to improve its financial reporting process.

*Management's Response:*

Following current accounting methodology and requirements will eliminate this condition.

**2013-003: Information Technology (Significant Deficiency)**

*Condition:*

Data backups are not currently being tested.

The Town's information technology (IT), other than the BAI application, is not being actively managed by an IT expert.

*Recommendation:*

We recommend that the Town consider entering into a contract with an IT vendor to regularly check and maintain certain critical IT functions, especially as they relate to security.

*Management's Response:*

The Town agrees with this recommendation and has contacted BAI about testing backups quarterly.

**TOWN OF LOUISA, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2015-001: Suspension and Debarment**

*Condition:*

The Town did not check the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA) to verify that vendors were not suspended or debarred prior to contracting.

*Recommendation:*

We recommend that the Town review the EPLS website prior to awarding contracts.

*Management's Response:*

In the future, management will review the EPLS website prior to awarding contracts.

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2015-005: Budget Compliance**

*Condition:*

The Town spent \$2,296, \$465,997 and \$4,550 more on Oakland Cemetery, capital outlay and debt service, respectively than budgeted. It is a violation of the *Code of Virginia* to expend funds in excess of appropriations.

*Recommendation:*

We recommend that the Town review budget to actual reports on a monthly basis and amend the budgets when necessary.

*Management's Response:*

In the future, management will request budget adjustments on a more current basis to align with expenditures.

## TOWN OF LOUISA, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2015**

<b>Federal Granting Agency/Recipient State Agency</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Environmental Protection Agency</b>			
Pass-through payments:			
Virginia Department of Health			
Capitalization Grants for Clean Water State Revolving Funds	66.468	n/a	332,697
<b>U.S. Department of Transportation</b>			
Pass-through payments:			
Virginia Department of Transportation			
Highway Planning and Construction	20.205	99226	998,027
			<u>          </u>
Total Expenditures of Federal Awards			<u><u>\$    1,330,724</u></u>

## **TOWN OF LOUISA, VIRGINIA**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2015**

#### **I. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

The information presented in this Schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Town's CAFR.

#### **II. Loan Program**

Included in the Schedule of Expenditures of Federal Awards are loan proceeds obtained through the Environmental Protection Agency. Total disbursements under the project were \$332,697, \$203,357 represent federal loan proceeds. The remaining amount of \$129,340 is federal grant funds. The loan is through the Capitalization Grants for Clean Water State Revolving Funds, CFDA number 66.468.