

**TOWN OF HURT, VIRGINIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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TOWN OF HURT, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

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TOWN OF HURT, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

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## INTRODUCTORY SECTION

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# TOWN OF HURT, VIRGINIA

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## TOWN COUNCIL

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Gary K. Hodnett, Mayor  
Shirley M. Barksdale-Hill, Vice-Mayor  
E. Collin Adams, Jr.  
Donney Johnson  
Lorraine M. "Rainy" Clay  
Kathy Haymore-Keesee  
Gary Poindexter

## OTHER OFFICIALS

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Ellen Brumfield .....Town Treasurer  
Kelsie Sligh ..... Town Clerk

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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**To the Members of Council  
Town of Hurt, Virginia  
Hurt, Virginia**

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 54 and 55-63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Supplementary and Other Information***

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

The supporting schedules 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 supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.




*Supplementary and Other Information (Continued)*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, on our consideration of the Town of Hurt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Hurt, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hurt, Virginia's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Robinson, Famer, Cox Associates".

Blacksburg, Virginia  
December 21, 2021

## **Basic Financial Statements**

Town of Hurt, Virginia  
Statement of Net Position  
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 356,935	\$ 93,780	\$ 450,715
Investments	349,807	297,694	647,501
Receivables (net of allowance for uncollectibles):			
Taxes receivable	228,910	-	228,910
Accounts receivable	12,941	105,152	118,093
Internal balances	24,572	(24,572)	-
Intergovernmental receivable	2,858	12,626	15,484
Prepaid items	1,146	368	1,514
Inventories - land held for resale	181,693	-	181,693
Capital assets (net of accumulated depreciation):			
Land	30,000	-	30,000
Buildings	3,187	-	3,187
Improvements other than buildings	5,913	-	5,913
Machinery and equipment	118,777	35,307	154,084
Lines and infrastructure	-	1,424,702	1,424,702
Total assets	<u>\$ 1,316,739</u>	<u>\$ 1,945,057</u>	<u>\$ 3,261,796</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 41,884	\$ 34,775	\$ 76,659
OPEB related items	20,873	1,198	22,071
Total deferred outflows of resources	<u>\$ 62,757</u>	<u>\$ 35,973</u>	<u>\$ 98,730</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 27,078	\$ 19,663	\$ 46,741
Accrued wages	10,206	2,401	12,607
Customers' deposits	-	14,647	14,647
Unearned revenue	150,275	150,274	300,549
Long-term liabilities:			
Due within one year	977	236	1,213
Due in more than one year	295,702	96,230	391,932
Total liabilities	<u>\$ 484,238</u>	<u>\$ 283,451</u>	<u>\$ 767,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 16,748	\$ -	\$ 16,748
OPEB related items	27,377	1,044	28,421
Deferred revenue - property taxes	208,077	-	208,077
Total deferred inflows of resources	<u>\$ 252,202</u>	<u>\$ 1,044</u>	<u>\$ 253,246</u>
<b>NET POSITION</b>			
Investment in capital assets	\$ 157,877	\$ 1,460,009	\$ 1,617,886
Restricted:			
Forfeited asset funds	6,072	-	6,072
Unrestricted	479,107	236,526	715,633
Total net position	<u>\$ 643,056</u>	<u>\$ 1,696,535</u>	<u>\$ 2,339,591</u>

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

Town of Hurt, Virginia  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 217,517	\$ -	\$ -	\$ 47,513	\$ (170,004)	\$ -	\$ (170,004)
Public safety	228,283	6,186	75,580	-	(146,517)	-	(146,517)
Public works	77,761	-	-	-	(77,761)	-	(77,761)
Community development	16,415	-	-	-	(16,415)	-	(16,415)
Total governmental activities	\$ 539,976	\$ 6,186	\$ 75,580	\$ 47,513	\$ (410,697)	\$ -	\$ (410,697)
Business-type activities:							
Water and Sewer	\$ 493,455	\$ 320,262	\$ -	\$ 142,616	\$ -	\$ (30,577)	\$ (30,577)
Total primary government	\$ 1,033,431	\$ 326,448	\$ 75,580	\$ 190,129	\$ (410,697)	\$ (30,577)	\$ (441,274)
General revenues:					\$ 161,254	\$ -	\$ 161,254
General property taxes							
Other local taxes:							
Local sales and use taxes					34,780	-	34,780
Consumers' utility taxes					24,892	-	24,892
Business license taxes					34,032	-	34,032
Restaurant food taxes					47,557	-	47,557
Motor vehicle licenses					34,188	-	34,188
Consumption taxes					3,752	-	3,752
Unrestricted revenues from use of money and property					17,922	728	18,650
Miscellaneous					7,691	22,298	29,989
Grants and contributions not restricted to specific programs					66,837	-	66,837
Total general revenues					\$ 432,905	\$ 23,026	\$ 455,931
Change in net position					\$ 22,208	\$ (7,551)	\$ 14,657
Net position - beginning					620,848	1,704,086	2,324,934
Net position - ending					\$ 643,056	\$ 1,696,535	\$ 2,339,591

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

Town of Hurt, Virginia  
Balance Sheet  
Governmental Fund  
June 30, 2021

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 356,935
Investments	349,807
Receivables (net of allowance for uncollectibles):	
Taxes receivable	228,910
Accounts receivable	12,941
Due from other funds	24,572
Intergovernmental receivable	2,858
Prepaid items	1,146
Inventories - land held for resale	181,693
Total assets	<u>\$ 1,158,862</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 27,078
Accrued wages	10,206
Unearned revenue	150,275
Total liabilities	<u>\$ 187,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>\$ 225,598</u>
<b>FUND BALANCE</b>	
Nonspendable:	
Land held for resale	\$ 181,693
Prepaid items	1,146
Restricted:	
Forfeited asset funds	6,072
Unassigned	556,794
Total fund balance	<u>\$ 745,705</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,158,862</u>

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

Town of Hurt, Virginia  
Reconciliation of the Balance Sheet of Governmental Fund  
To the Statement of Net Position  
June 30, 2021

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	745,705	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	30,000	
Buildings		3,187	
Improvements other than buildings		5,913	
Machinery and equipment		<u>118,777</u>	157,877
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as a deferred inflow of resources in the funds.			
Unavailable revenue - property taxes			17,521
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
OPEB related items	\$	20,873	
Pension related items		<u>41,884</u>	62,757
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(1,303)	
Net OPEB liabilities		(51,607)	
Net pension liability		<u>(243,769)</u>	(296,679)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
OPEB related items	\$	(27,377)	
Pension related items		<u>(16,748)</u>	(44,125)
Net position of governmental activities			<u><u>\$ 643,056</u></u>

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

Town of Hurt, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2021

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 169,992
Other local taxes	179,201
Fines and forfeitures	90
Revenue from the use of money and property	17,922
Charges for services	6,096
Miscellaneous	7,691
Commonwealth	117,262
Federal	72,668
Total revenues	<u>\$ 570,922</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 191,868
Public safety	222,813
Public works	73,636
Community development	16,415
Total expenditures	<u>\$ 504,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 66,190</u>
Net change in fund balance	\$ 66,190
Fund balance - beginning	679,515
Fund balance - ending	<u><u>\$ 745,705</u></u>

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

Town of Hurt, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of Governmental Fund  
To the Statement of Activities  
For the Year Ended June 30, 2021

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

Net change in fund balance - total governmental fund		\$	66,190
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.			
Capital outlays		\$	26,613
Depreciation expense			(34,435)
			(7,822)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Increase (decrease) in unavailable revenue - property taxes			(8,738)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Change in compensated absences		\$	1,004
Change in net pension liability and related items			(28,964)
Change in net OPEB liabilities and related items			538
			(27,422)
Change in net position of governmental activities		\$	22,208

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



Town of Hurt, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2021

	<u>Water &amp; Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 93,780
Investments	297,694
Accounts receivable, net of allowance for uncollectibles	105,152
Prepaid items	368
Intergovernmental receivable	12,626
Total current assets	<u>\$ 509,620</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Lines and infrastructure	\$ 1,424,702
Machinery and equipment	35,307
Total noncurrent assets	<u>\$ 1,460,009</u>
Total assets	<u>\$ 1,969,629</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 34,775
OPEB related items	1,198
Total deferred outflows of resources	<u>\$ 35,973</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 19,663
Accrued wages	2,401
Due to General fund	24,572
Compensated absences - current portion	236
Unearned grant revenue	150,274
Customer deposits payable	14,647
Total current liabilities	<u>\$ 211,793</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 79
Net pension liability	93,062
Net OPEB liability	3,089
Total noncurrent liabilities	<u>\$ 96,230</u>
Total liabilities	<u>\$ 308,023</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB related items	1,044
Total deferred inflows of resources	<u>\$ 1,044</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 1,460,009
Unrestricted	236,526
Total net position	<u>\$ 1,696,535</u>

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

Town of Hurt, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2021

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	<u>Water &amp; Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 312,485
Sewer revenues	7,724
Connection fees	53
Miscellaneous revenue	22,298
Total operating revenues	<u>\$ 342,560</u>
<b>OPERATING EXPENSES</b>	
Salaries and fringes	\$ 79,067
Utilities	9,253
Purchase of water and sewer	136,350
Supplies, maintenance and repairs	161,846
Office expense	1,479
Insurance	1,047
Service agreements	7,192
Miscellaneous	8,494
Depreciation	88,727
Total operating expenses	<u>\$ 493,455</u>
Operating income (loss)	<u>\$ (150,895)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>\$ 728</u>
Total nonoperating revenues (expenses)	<u>\$ 728</u>
Income before contributions and transfers	<u>\$ (150,167)</u>
Capital contributions	\$ 142,616
Change in net position	<u>\$ (7,551)</u>
Total net position - beginning	1,704,086
Total net position - ending	<u><u>\$ 1,696,535</u></u>

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

Town of Hurt, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2021

	<u>Water &amp; Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 316,596
Payments to suppliers	(321,464)
Payments to and for employees	(55,945)
Net cash provided by (used for) operating activities	<u>\$ (60,813)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payments for interfund services used	<u>\$ (99,845)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset additions	\$ (38,452)
Capital contributions	292,890
Net cash provided by (used for) capital and related financing activities	<u>\$ 254,438</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>\$ 728</u>
Net increase (decrease) in cash and cash equivalents	\$ 94,508
Cash and cash equivalents - beginning (includes investments of \$296,966)	296,966
Cash and cash equivalents - ending (includes investments of \$297,694)	<u><u>\$ 391,474</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (150,895)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 88,727
(Increase) decrease in accounts receivable	(33,962)
(Increase) decrease in intergovernmental receivables	(8,424)
(Increase) decrease in prepaid items	(368)
(Increase) decrease in deferred outflows of resources	(19,105)
Increase (decrease) in operating accounts payable	12,989
Increase (decrease) in accrued wages	1,266
Increase (decrease) in customer deposits	7,998
Increase (decrease) in deferred inflows of resources	(205)
Increase (decrease) in net OPEB liability	(7)
Increase (decrease) in net pension liability	42,819
Increase (decrease) in compensated absences	(1,646)
Total adjustments	<u>\$ 90,082</u>
Net cash provided by (used for) operating activities	<u><u>\$ (60,813)</u></u>

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

## TOWN OF HURT, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

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#### **Note 1 - Summary of Significant Accounting Policies:**

The financial statements of the Town of Hurt, Virginia (Town) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

#### **A. Financial Reporting Entity:**

The Town of Hurt, Virginia (government) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - The Town along with the County of Pittsylvania and City of Danville are part of the jointly governed organization Staunton River Regional Industrial Facility Authority (SRIFA).

#### **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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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*.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**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 and fiduciary 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.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenue.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

The Town operates a water and sewer system. The collection of these fees and related costs are accounted for in the *water and sewer fund*.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

2. Investments

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$33,002 for property taxes and \$21,676 for water and sewer receivables at June 30, 2021.

5. Use of Estimates

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

- D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

6. Capital Assets (continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20-40
Lines and infrastructure	20-40
Machinery and equipment	5-15

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Deferred Outflows/Inflows of Resources

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

8. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of deferred inflows of resources. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on installments levied during the fiscal year and is deferred and recognized as an inflow of resources in the period that amount becomes available. Under the accrual basis, installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on such installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

9. Pensions

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

10. Other Postemployment Benefits (OPEB)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

11. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

12. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1 - Summary of Significant Accounting Policies: (Continued)**

- D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)

13. Net Position Flow Assumption

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

**Note 2 - Stewardship, Compliance, and Accountability:**

- A. Budgetary information:

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

1. Prior to June 1, the Mayor submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General Fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only Town Council can revise the appropriation for the General Fund. Town Council is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units. No supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 2 - Stewardship, Compliance, and Accountability: (Continued)**

B. Excess of expenditures over appropriations:

For the year ended June 30, 2021, the Public Safety and Public Works functions had expenditures in excess of appropriations.

C. Deficit fund balance:

At June 30, 2021, there were no funds with deficit fund balance.

**Note 3 - Deposits and Investments:**

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

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

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments at June 30, 2021 were held in the Town's name by the Town's custodial bank.

**Credit Risk of Debt Securities:** The Town has not adopted an investment policy for credit risk.

The Town's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and the rating below are presented using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool (LGIP)	\$ 647,501

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 3 - Deposits and Investments: (Continued)**

**External Investment Pool:**

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

**Interest Rate Risk:**

Investment Type	Investment Maturities (in years)	
	Fair Value	Less 1 yr
Local Government Investment Pool (LGIP)	\$ 647,501	\$ 647,501

**Note 4 - Intergovernmental Receivables:**

The following amounts represent receivables from other governments at year-end:

	Governmental Activities	Business-type Activities
<b><u>Pittsylvania County Service Authority</u></b>		
Service Agreement	\$ -	\$ 12,626
<b><u>Commonwealth of Virginia:</u></b>		
Communications tax	2,858	-
Total	<u>\$ 2,858</u>	<u>\$ 12,626</u>

**Note 5 - Interfund Obligations:**

Fund	Due From	Due To
General Fund	\$ 24,572	\$ -
Water & Sewer Fund	-	(24,572)
Total	<u>\$ 24,572</u>	<u>\$ (24,572)</u>

The Town uses the General Fund to pay all salaries and benefits. All credit card collections are processed through the General Fund and collections related to the Water and Sewer Fund are owed to the Water and Sewer Fund. This balance represents the net accumulation of those transactions.

**Note 6 - Inventory - Land Held for Resale:**

The Town purchased and developed land for the Key Industrial Park. The costs of the Park included development fees of \$305,113 between 1992 and 2007. In May 2020, 22.66 acres of the land were sold. The remaining 109.55 acres of land have an assessed value of \$181,693. In accordance with generally accepted accounting standards, the land has been recorded as inventory - land held for resale at the lower of cost or market value.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 7 - Long-Term Obligations:**

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Compensated absences	\$ 2,307	\$ 726	\$ (1,730)	\$ 1,303
Net pension liability	197,957	99,656	(53,844)	243,769
Net OPEB liabilities	68,837	27,475	(44,705)	51,607
Total	\$ 269,101	\$ 127,857	\$ (100,279)	\$ 296,679

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 1,303	\$ 977
Net pension liability	243,769	-
Net OPEB liabilities	51,607	-
Total Other Obligations	\$ 296,679	\$ 977
Total Long-term Obligations	\$ 296,679	\$ 977

Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2021.

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Compensated absences	\$ 1,961	\$ -	\$ (1,646)	\$ 315
Net pension liability	50,243	56,376	(13,557)	93,062
Net OPEB liabilities	3,096	2,522	(2,529)	3,089
Total	\$ 55,300	\$ 58,898	\$ (17,732)	\$ 96,466

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 7 - Long-Term Obligations: (Continued)**

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 315	\$ 236
Net pension liability	93,062	-
Net OPEB liabilities	3,089	-
	<hr/>	<hr/>
Total Other Obligations	\$ 96,466	\$ 236
	<hr/>	<hr/>
Total Long-term Obligations	\$ 96,466	\$ 236
	<hr/>	<hr/>

**Note 8 - Pension Plan:*****Plan Description***

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

***Benefit Structures***

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)**

***Benefit Structures (continued)***

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)*****Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

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

***Employees Covered by Benefit Terms***

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	8
Inactive members:	
Vested inactive members	5
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	13
Active members	<u>4</u>
Total covered employees	<u>25</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)**

***Contributions***

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 21.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$23,690 and \$30,007 for the years ended June 30, 2021 and June 30, 2020, respectively.

***Net Pension Liability***

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

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)****Actuarial Assumptions - General Employees (Continued)**

## Mortality rates:

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

## Pre-Retirement:

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

## Post-Retirement:

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

## Post-Disablement:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

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

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

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 8 - Pension Plan: (Continued)****Long-Term Expected Rate of Return (Continued)**

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 8 - Pension Plan: (Continued)****Discount Rate: (Continued)**

From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 951,741	\$ 703,541	\$ 248,200
Changes for the year:			
Service cost	\$ 20,274	\$ -	\$ 20,274
Interest	62,492	-	62,492
Benefit changes	-	-	-
Differences between expected and actual experience	54,455	-	54,455
Assumption changes	-	-	-
Contributions - employer	-	29,241	(29,241)
Contributions - employee	-	6,490	(6,490)
Net investment income	-	13,338	(13,338)
Benefit payments, including refunds	(51,882)	(51,882)	-
Administrative expenses	-	(463)	463
Other changes	-	(16)	16
Net changes	\$ 85,339	\$ (3,292)	\$ 88,631
Balances at June 30, 2020	\$ 1,037,080	\$ 700,249	\$ 336,831

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town of Hurt's			
Net Pension Liability (Asset)	\$ 460,533	\$ 336,831	\$ 233,311

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

For the year ended June 30, 2021, the Town recognized pension expense of \$(74,607). At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	15,279	\$ -
Net difference between projected and actual earnings on pension plan investments	20,942	-
Change in proportionate shares	16,748	16,748
Employer contributions subsequent to the measurement date	23,690	-
Total	\$ 76,659	\$ 16,748



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 8 - Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$23,690 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	15,857
2023		6,567
2024		7,079
2025		6,718
2026		-
Thereafter		-

***Pension Plan Data***

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

**Note 9- Line of Duty Act (LODA) Program (OPEB Plan):*****Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. This is a cost-sharing multiple-employer plan administered by the System. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)**

***Plan Description***

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

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

***Benefit Amounts***

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$1,435 and \$1,412 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)**

***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2021, the entity reported a liability of \$43,515 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.01039% as compared to 0.01578% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$1,976. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,619	\$ 5,932
Net difference between projected and actual earnings on LODA OPEB program investments	-	62
Change in assumptions	11,649	2,712
Change in proportionate share	-	15,936
Employer contributions subsequent to the measurement date	<u>1,435</u>	<u>-</u>
Total	<u>\$ 17,703</u>	<u>\$ 24,642</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)***

\$1,435 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	(988)
2023		(977)
2024		(964)
2025		(961)
2026		(957)
Thereafter		(3,527)

***Actuarial Assumptions***

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

**Net LODA OPEB Liability**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)**

***Net LODA OPEB Liability (Continued)***

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

***Long-Term Expected Rate of Return***

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

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

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

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 51,652	\$ 43,515	\$ 37,382

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 9- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)*****Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

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

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 35,967	\$ 43,515	\$ 53,388

***LODA OPEB Fiduciary Net Position***

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

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan):*****Plan Description***

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***Plan Description (continued)***

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

***Eligible Employees***

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

***Benefit Amounts***

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

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.34\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$588 and \$730 for the years ended June 30, 2021 and June 30, 2021, respectively.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB***

At June 30, 2021, the entity reported a liability of \$11,181 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00070% as compared to 0.00094% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$279. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 717	\$ 101
Net difference between projected and actual earnings on GLI OPEB plan investments	336	-
Change in assumptions	559	233
Changes in proportionate share	2,168	3,445
Employer contributions subsequent to the measurement date	<u>588</u>	<u>-</u>
Total	\$ <u>4,368</u>	\$ <u>3,779</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)***

\$588 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2022	\$	21
2023		116
2024		203
2025		206
2026		(401)
Thereafter		(144)

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

## Post-Disablement:

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

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

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

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	\$ <u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Asset Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	4.66%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease 5.75%	Current Discount 6.75%	1% Increase (7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 14,699	\$ 11,181	\$ 8,325

***GLI Plan Fiduciary Net Position***

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

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 11 - OPEB Summary:**

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plan:				
Line of Duty Act Program (Note 9)	\$ 17,703	\$ 24,642	\$ 43,515	\$ 1,976
Group Life Insurance Plan (Note 10)	4,368	3,779	11,181	279
Totals	<u>\$ 22,071</u>	<u>\$ 28,421</u>	<u>\$ 54,696</u>	<u>\$ 2,255</u>

**Note 12 - Capital Assets:**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets, being depreciated:				
Buildings	\$ 37,548	\$ -	\$ -	\$ 37,548
Machinery and equipment	216,080	26,613	-	242,693
Improvements other than buildings	56,588	-	-	56,588
Total capital assets being depreciated	<u>\$ 310,216</u>	<u>\$ 26,613</u>	<u>\$ -</u>	<u>\$ 336,829</u>
Accumulated depreciation:				
Buildings	\$ (33,400)	\$ (961)	\$ -	\$ (34,361)
Machinery and equipment	(90,893)	(33,023)	-	(123,916)
Improvements other than buildings	(50,224)	(451)	-	(50,675)
Total accumulated depreciation	<u>\$ (174,517)</u>	<u>\$ (34,435)</u>	<u>\$ -</u>	<u>\$ (208,952)</u>
Total capital assets being depreciated, net	<u>\$ 135,699</u>	<u>\$ (7,822)</u>	<u>\$ -</u>	<u>\$ 127,877</u>
Governmental activities capital assets, net	<u>\$ 165,699</u>	<u>\$ (7,822)</u>	<u>\$ -</u>	<u>\$ 157,877</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government administration	\$ 10,927
Public safety	22,975
Public works	<u>533</u>
Total depreciation expense - governmental activities	<u>\$ 34,435</u>

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 12 - Capital Assets: (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, being depreciated:				
Machinery & Equipment	\$ -	\$ 38,452	\$ -	\$ 38,452
Lines and infrastructure	3,442,116	-	-	3,442,116
Total capital assets being depreciated	\$ 3,442,116	\$ 38,452	\$ -	\$ 3,480,568
Accumulated depreciation:				
Machinery & Equipment	\$ -	\$ (3,145)	\$ -	\$ (3,145)
Lines and infrastructure	(1,931,832)	(85,582)	-	(2,017,414)
Total accumulated depreciation	\$ (1,931,832)	\$ (88,727)	\$ -	\$ (2,020,559)
Total capital assets being depreciated, net	\$ 1,510,284	\$ (50,275)	\$ -	\$ 1,460,009
Business-type activities capital assets, net	\$ 1,510,284	\$ (50,275)	\$ -	\$ 1,460,009

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:

Water and sewer \$ 88,727

**Note 13 - 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; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 14 - Commitment/Contingencies:**

In June 2020, the Town was assessed an Order by Consent by the Virginia Department of Health related to certain violations of the Public Water Supplies law and the applicable regulations. The Town is currently working on addressing the noted violations as quickly as possible.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 15 - Deferred/Unavailable Revenue:**

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures. \$	-	\$ 17,521
Prepaid taxes	945	945
Tax assessments due after June 30	207,132	207,132
	<hr/>	<hr/>
Total deferred/unavailable revenue	\$ <u>208,077</u>	\$ <u>225,598</u>

**Note 16 - Litigation:**

As of June 30, 2021, there were no matters of litigation involving the Town which would materially affect the Town's financial position should a court decision on pending matters not be favorable.

**Note 17 - Upcoming Pronouncements:**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 17 - Upcoming Pronouncements: (continued)**

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

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

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

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

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

**Note 18 - COVID-19 Pandemic:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 18 - COVID-19 Pandemic: (continued)**

*ARPA Funding:*

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

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$300,549 from the initial allocation are reported as unearned revenue as of June 30.

## **Required Supplementary Information**

Town of Hurt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 169,833	\$ 169,833	\$ 169,992	\$ 159
Other local taxes	175,441	175,441	179,201	3,760
Fines and forfeitures	4,100	4,100	90	(4,010)
Revenue from the use of money and property	19,692	19,692	17,922	(1,770)
Charges for services	-	-	6,096	6,096
Miscellaneous	4,275	4,275	7,691	3,416
Intergovernmental:				
Commonwealth	108,545	108,545	117,262	8,717
Federal	215,284	215,284	72,668	(142,616)
Total revenues	<u>\$ 697,170</u>	<u>\$ 697,170</u>	<u>\$ 570,922</u>	<u>\$ (126,248)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 151,242	\$ 151,242	\$ 191,868	\$ (40,626)
Public safety	294,376	294,376	222,813	71,563
Public works	98,946	98,946	73,636	25,310
Community development	19,100	19,100	16,415	2,685
Total expenditures	<u>\$ 563,664</u>	<u>\$ 563,664</u>	<u>\$ 504,732</u>	<u>\$ 58,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 133,506</u>	<u>\$ 133,506</u>	<u>\$ 66,190</u>	<u>\$ (67,316)</u>
Net change in fund balance	\$ 133,506	\$ 133,506	\$ 66,190	\$ (67,316)
Fund balance - beginning	(133,506)	(133,506)	679,515	813,021
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,705</u>	<u>\$ 745,705</u>

Town of Hurt, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 20,274	\$ 14,782	\$ 17,702	\$ 15,485	\$ 17,633	\$ 17,324	\$ 16,498
Interest	62,492	66,323	63,888	62,617	61,456	59,274	57,618
Differences between expected and actual experience	54,455	(80,324)	1,305	(25,641)	(7,271)	5,806	-
Changes in assumptions	-	27,191	-	19,530	-	-	-
Benefit payments	(51,882)	(47,410)	(48,795)	(58,885)	(51,563)	(50,907)	(50,032)
<b>Net change in total pension liability</b>	<b>\$ 85,339</b>	<b>\$ (19,438)</b>	<b>\$ 34,100</b>	<b>\$ 13,106</b>	<b>\$ 20,255</b>	<b>\$ 31,497</b>	<b>\$ 24,084</b>
<b>Total pension liability - beginning</b>	<b>951,741</b>	<b>971,179</b>	<b>937,079</b>	<b>923,973</b>	<b>903,718</b>	<b>872,221</b>	<b>848,137</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,037,080</b>	<b>\$ 951,741</b>	<b>\$ 971,179</b>	<b>\$ 937,079</b>	<b>\$ 923,973</b>	<b>\$ 903,718</b>	<b>\$ 872,221</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 29,241	\$ 39,707	\$ 30,191	\$ 30,504	\$ 29,355	\$ 31,455	\$ 34,583
Contributions - employee	6,490	8,898	6,703	6,787	6,259	6,679	9,770
Net investment income	13,338	44,311	45,887	69,590	9,951	25,824	78,172
Benefit payments	(51,882)	(47,410)	(48,795)	(58,885)	(51,563)	(50,907)	(50,032)
Administrator charges	(463)	(425)	(397)	(416)	(367)	(360)	(423)
Other	(16)	(28)	(41)	(61)	(4)	(6)	4
<b>Net change in plan fiduciary net position</b>	<b>\$ (3,292)</b>	<b>\$ 45,053</b>	<b>\$ 33,548</b>	<b>\$ 47,519</b>	<b>\$ (6,369)</b>	<b>\$ 12,685</b>	<b>\$ 72,074</b>
<b>Plan fiduciary net position - beginning</b>	<b>703,541</b>	<b>658,488</b>	<b>624,940</b>	<b>577,421</b>	<b>583,790</b>	<b>571,105</b>	<b>499,031</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 700,249</b>	<b>\$ 703,541</b>	<b>\$ 658,488</b>	<b>\$ 624,940</b>	<b>\$ 577,421</b>	<b>\$ 583,790</b>	<b>\$ 571,105</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 336,831</b>	<b>\$ 248,200</b>	<b>\$ 312,691</b>	<b>\$ 312,139</b>	<b>\$ 346,552</b>	<b>\$ 319,928</b>	<b>\$ 301,116</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>67.52%</b>	<b>73.92%</b>	<b>67.80%</b>	<b>66.69%</b>	<b>62.49%</b>	<b>64.60%</b>	<b>65.48%</b>
<b>Covered payroll</b>	<b>\$ 140,432</b>	<b>\$ 184,818</b>	<b>\$ 140,819</b>	<b>\$ 142,439</b>	<b>\$ 122,183</b>	<b>\$ 133,574</b>	<b>\$ 133,574</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>239.85%</b>	<b>134.29%</b>	<b>222.05%</b>	<b>219.14%</b>	<b>283.63%</b>	<b>239.51%</b>	<b>225.43%</b>

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

Town of Hurt, Virginia  
Schedule of Employer Contributions  
Pension Plan  
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 23,690	\$ 23,690	\$ -	\$ 108,802	21.77%
2020	30,007	30,007	-	140,432	21.37%
2019	39,707	39,707	-	184,818	21.48%
2018	30,191	30,191	-	140,819	21.44%
2017	30,504	30,504	-	142,439	21.42%
2016	28,496	28,496	-	122,183	23.32%
2015	32,261	32,261	-	133,574	24.15%
2014	34,115	34,115	-	133,574	25.54%
2013	32,481	32,481	-	127,177	25.54%
2012	30,676	30,676	-	119,036	25.77%

Town of Hurt, Virginia  
Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2021

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

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

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

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

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

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



Town of Hurt, Virginia  
Schedule of Employer's Share of Net LODA OPEB Liability  
Line of Duty Act (LODA) Program  
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll* (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2020	0.01039% \$	43,515 \$	64,511	67.45%	1.02%
2019	0.01578%	56,617	111,648	50.71%	0.79%
2018	0.01599%	50,000	89,638	55.78%	0.60%
2017	0.01578%	41,000	80,401	50.99%	1.30%

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

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Town of Hurt, Virginia  
Schedule of Employer Contributions  
Line of Duty Act (LODA) Program  
For the Years Ended June 30, 2017 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll* (4)	Contributions as a % of Covered - Employee Payroll (5)
2021	\$ 1,435	\$ 1,435	\$ -	\$ 45,972	3.12%
2020	1,412	1,412	-	64,511	2.19%
2019	2,117	2,117	-	111,648	1.90%
2018	1,702	1,702	-	89,638	1.90%
2017	1,702	1,702	-	80,401	2.12%

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

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only three years of data are available. However, additional years will be included as they become available.

Town of Hurt, Virginia  
Notes to Required Supplementary Information  
Line of Duty Act (LODA) Program  
For the Year Ended June 30, 2021

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

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

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

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

Town of Hurt, Virginia  
Schedule of Town's Share of Net OPEB Liability  
Group Life Insurance (GLI) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.000700% \$	11,181 \$	140,432	7.96%	52.64%
2019	0.000940%	15,296	184,818	8.28%	52.00%
2018	0.000740%	11,000	140,819	7.81%	51.22%
2017	0.000770%	12,000	142,439	8.42%	48.86%

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

Town of Hurt, Virginia  
 Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 For the Years Ended June 30, 2012 through June 30, 2021

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Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2021	\$ 588	\$ 588	\$ -	\$ 108,802		0.54%
2020	730	730	-	140,432		0.52%
2019	961	961	-	184,818		0.52%
2018	732	732	-	140,819		0.52%
2017	742	742	-	142,439		0.52%
2016	648	648	-	122,183		0.53%
2015	708	708	-	133,574		0.53%
2014	708	708	-	133,574		0.53%
2013	674	674	-	127,177		0.53%
2012	524	524	-	119,036		0.44%

Town of Hurt, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2021

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

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## **Other Supplementary Information**

Town of Hurt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 121,808	\$ 121,808	\$ 117,773	\$ (4,035)
SCC Real Estate	13,454	13,454	9,972	(3,482)
Personal property taxes	34,121	34,121	41,249	7,128
Penalties	100	100	651	551
Interest	350	350	347	(3)
Total general property taxes	<u>\$ 169,833</u>	<u>\$ 169,833</u>	<u>\$ 169,992</u>	<u>\$ 159</u>
Other local taxes:				
Local sales and use tax	\$ 26,270	\$ 26,270	\$ 34,780	\$ 8,510
Consumers' utility tax	24,932	24,932	24,892	(40)
Consumption taxes	4,473	4,473	3,752	(721)
Business license tax	46,000	46,000	34,032	(11,968)
Motor vehicle licenses	36,466	36,466	34,188	(2,278)
Restaurant food taxes	37,300	37,300	47,557	10,257
Total other local taxes	<u>\$ 175,441</u>	<u>\$ 175,441</u>	<u>\$ 179,201</u>	<u>\$ 3,760</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 4,100	\$ 4,100	\$ 90	\$ (4,010)
Total fines and forfeitures	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 90</u>	<u>\$ (4,010)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,692	\$ 4,692	\$ 465	\$ (4,227)
Revenue from use of property	15,000	15,000	17,457	2,457
Total revenue from use of money and property	<u>\$ 19,692</u>	<u>\$ 19,692</u>	<u>\$ 17,922</u>	<u>\$ (1,770)</u>
Charges for services:				
Garbage	\$ -	\$ -	\$ 6,096	\$ 6,096
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,096</u>	<u>\$ 6,096</u>
Miscellaneous:				
Miscellaneous	\$ 4,275	\$ 4,275	\$ 7,691	\$ 3,416
Total miscellaneous	<u>\$ 4,275</u>	<u>\$ 4,275</u>	<u>\$ 7,691</u>	<u>\$ 3,416</u>
Total revenue from local sources	<u>\$ 373,341</u>	<u>\$ 373,341</u>	<u>\$ 380,992</u>	<u>\$ 7,651</u>



Town of Hurt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,500	\$ 8,500	\$ 8,050	\$ (450)
Communications tax	23,444	23,444	17,632	(5,812)
Personal property tax relief act funds	34,675	34,675	34,675	-
Game of Skill	-	-	6,480	6,480
Total noncategorical aid	<u>\$ 66,619</u>	<u>\$ 66,619</u>	<u>\$ 66,837</u>	<u>\$ 218</u>
Categorical aid:				
Other categorical aid:				
Local law enforcement grants	\$ 30,726	\$ 30,726	\$ 34,393	\$ 3,667
Litter control grant	1,200	1,200	1,032	(168)
Fire program funds	10,000	10,000	15,000	5,000
Total other categorical aid	<u>\$ 41,926</u>	<u>\$ 41,926</u>	<u>\$ 50,425</u>	<u>\$ 8,499</u>
Total revenue from the Commonwealth	<u>\$ 108,545</u>	<u>\$ 108,545</u>	<u>\$ 117,262</u>	<u>\$ 8,717</u>
Revenue from the federal government:				
Categorical aid:				
CARES Funding	\$ 215,284	\$ 215,284	\$ 72,668	\$ (142,616)
Total categorical aid	<u>\$ 215,284</u>	<u>\$ 215,284</u>	<u>\$ 72,668</u>	<u>\$ (142,616)</u>
Total revenue from the federal government	<u>\$ 215,284</u>	<u>\$ 215,284</u>	<u>\$ 72,668</u>	<u>\$ (142,616)</u>
Total General Fund	<u>\$ 697,170</u>	<u>\$ 697,170</u>	<u>\$ 570,922</u>	<u>\$ (126,248)</u>

Town of Hurt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2021

<u>Fund, Function, Sub-Function and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 2,400	\$ 2,400	\$ 3,700	\$ (1,300)
General and financial administration:				
Administrative	\$ 101,945	\$ 101,945	\$ 135,807	\$ (33,862)
Information Technology	33,497	33,497	39,135	(5,638)
Legal Services	13,400	13,400	13,226	174
Total general and financial administration	\$ 148,842	\$ 148,842	\$ 188,168	\$ (39,326)
Total general government administration	\$ 151,242	\$ 151,242	\$ 191,868	\$ (40,626)
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 264,376	\$ 264,376	\$ 182,813	\$ 81,563
Fire and rescue services:				
Volunteer Fire Department	\$ 30,000	\$ 30,000	\$ 40,000	\$ (10,000)
Total public safety	\$ 294,376	\$ 294,376	\$ 222,813	\$ 71,563
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 35,780	\$ 35,780	\$ 37,035	\$ (1,255)
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 63,166	\$ 63,166	\$ 36,601	\$ 26,565
Total public works	\$ 98,946	\$ 98,946	\$ 73,636	\$ 25,310
Community development:				
Planning and community development:				
Community and Economic Development	\$ 19,100	\$ 19,100	\$ 16,415	\$ 2,685
Total community development	\$ 19,100	\$ 19,100	\$ 16,415	\$ 2,685
Total General Fund	\$ 563,664	\$ 563,664	\$ 504,732	\$ 58,932

## **Other Statistical Information**

Table 1

**Town of Hurt, Virginia**  
**Government-Wide Expenses by Function**  
**Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Community Development	Water and Sewer	Total
2020-21	\$ 217,517	\$ 228,283	\$ 77,761	\$ 16,415	\$ 493,455	\$ 1,033,431
2019-20	101,105	185,967	125,487	30,062	298,818	741,439
2018-19	109,779	194,228	95,477	15,772	367,794	783,050
2017-18	138,254	171,055	88,007	6,934	301,021	705,271
2016-17	137,861	136,656	95,330	30,636	282,190	682,673
2015-16	122,880	138,849	59,821	16,941	301,077	639,568
2014-15	132,786	145,680	62,756	22,250	302,198	665,670
2013-14 (1)	120,210	180,736	58,095	27,755	278,497	665,293
2012-13	109,059	147,127	69,331	19,359	262,975	607,851
2011-12	118,275	169,716	60,376	11,497	217,641	577,505

(1) Does not include the special item impairment loss of \$132,703 in the Water and Sewer Fund.

Table 2

Town of Hurt, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue							
				General Property Taxes	Other Local Taxes	Revenue from the Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2020-21	\$ 326,448	\$ 75,580	\$ 190,129	\$ 161,254	\$ 179,201	\$ 18,650	\$ 29,989	\$ 66,837	\$ 1,048,088		
2019-20	292,323	44,608	7,800	174,416	164,442	24,670	48,202	62,612	819,073		
2018-19	252,231	43,476	25,000	118,022	168,647	31,147	46,209	63,126	747,858		
2017-18	227,605	51,439	-	133,899	130,320	20,103	23,030	64,657	651,053		
2016-17	230,255	43,489	-	112,538	139,236	17,516	132,017	65,477	740,528		
2015-16	239,346	29,716	71,022	91,029	115,191	14,981	2,794	66,975	631,054		
2014-15	223,440	40,775	-	120,031	131,194	20,485	6,133	67,629	609,687		
2013-14	219,382	41,276	170,577	124,615	100,110	9,531	1,251	70,425	737,167		
2012-13	196,681	38,919	758,585	122,427	104,683	9,023	5,004	68,184	1,303,506		
2011-12	213,723	38,549	314,713	118,793	104,779	8,289	3,401	66,701	868,948		

(1) In 2011, communications tax was reclassified from other local tax to grants and contributions not restricted to specific programs.

Table 3

**Town of Hurt, Virginia**  
**General Governmental Expenditures by Function**  
**Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Community Development	Capital Projects	Total
2020-21	\$ 191,868	\$ 222,813	\$ 73,636	\$ 16,415	\$ -	\$ 504,732
2019-20	171,232	179,856	131,654	30,062	-	512,804
2018-19	112,594	305,065	95,343	15,772	-	528,774
2017-18	136,201	174,834	90,250	6,934	-	408,219
2016-17	167,976	134,561	94,334	30,636	-	427,507
2015-16	156,641	133,131	59,688	16,941	-	366,401
2014-15	171,893	139,769	62,623	22,250	-	396,535
2013-14	161,764	167,361	57,962	27,755	-	414,842
2012-13	138,678	129,297	69,198	19,359	-	356,532
2011-12	164,442	183,714	60,243	11,497	-	419,896

Table 4

**Town of Hurt, Virginia**  
**General Governmental Revenues by Source**  
**Last Ten Fiscal Years**

Fiscal Year	General Property Taxes	Other Local Taxes (1)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property				Recovered Costs	Inter-governmental (1)	Total
2020-21	\$ 169,992	\$ 179,201	\$ -	\$ -	90	\$ 17,922	\$ 7,691	\$ -	\$ -	189,930	\$ 564,826
2019-20	165,804	164,442	-	-	2,827	20,178	33,762	-	-	115,020	502,033
2018-19	122,669	168,647	-	-	6,475	24,299	33,425	-	-	131,602	487,117
2017-18	125,342	130,320	-	-	6,716	17,649	9,702	-	-	116,096	405,825
2016-17	122,718	139,236	-	-	2,917	16,276	131,842	33,995	108,966	108,966	555,950
2015-16	127,030	115,191	-	-	5,296	14,523	2,604	37,578	96,691	96,691	398,913
2014-15	119,426	131,194	-	-	9,825	20,333	6,022	38,923	108,404	108,404	434,127
2013-14	115,223	100,110	-	-	15,163	9,449	1,251	32,973	111,701	111,701	385,870
2012-13	113,454	104,683	-	-	14,578	8,853	5,004	31,056	126,896	126,896	404,524
2011-12	112,786	104,779	-	-	9,788	8,121	3,401	47,603	107,569	107,569	394,047

(1) In 2011, communications tax was reclassified from other local tax to intergovernmental revenue.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2020-21	\$ 197,881	\$ 198,299	100.21%	6,368	\$ 204,667	103.43%	\$ 47,067	23.79%
2019-20	206,879	195,799	94.64%	4,680	200,479	96.91%	48,305	23.35%
2018-19	162,346	149,358	92.00%	7,986	157,344	96.92%	35,516	21.88%
2017-18	161,917	153,853	95.02%	6,164	160,017	98.83%	40,681	25.12%
2016-17	161,116	144,211	89.51%	13,182	157,393	97.69%	40,370	25.06%
2015-16	157,110	148,869	94.75%	12,836	161,705	102.92%	48,457	30.84%
2014-15	158,243	148,018	93.54%	5,042	153,060	96.72%	78,300	49.48%
2013-14	152,656	146,384	95.89%	3,502	149,886	98.19%	83,941	54.99%
2012-13	147,844	141,714	95.85%	6,014	147,728	99.92%	69,471	46.99%
2011-12	145,362	144,010	99.07%	3,014	147,024	101.14%	55,059	37.88%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Includes personal property tax relief paid by the Commonwealth of Virginia.



Table 6

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

Fiscal Year	Real Estate (1)		Personal Property and Mobile Homes (3)	Public Utility (2)		Total				
				Real Estate	Personal Property					
2020-21	\$	69,287,400	\$	2,078,710	\$	5,477,900	\$	10,998	\$	76,855,008
2019-20		69,420,600		2,207,170		7,847,428		14,498		79,489,696
2018-19		69,307,400		2,318,900		7,437,861		15,148		79,079,309
2017-18		65,313,100		2,306,660		7,121,956		14,995		74,756,711
2016-17		65,035,800		2,282,940		7,383,356		15,317		74,717,413
2015-16		64,152,300		2,171,610		7,077,646		17,708		73,419,264
2014-15		64,065,800		2,310,290		7,067,210		17,681		73,460,981
2013-14		62,245,600		2,497,770		5,941,953		13,598		70,698,921
2012-13		63,106,500		2,271,430		5,686,082		13,408		71,077,420
2011-12		62,245,600		2,497,770		5,941,953		13,598		70,698,921

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

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

(3) Personal property and mobile homes are assessed at 100% of fair market value as of January 1, 2010.

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property
2020-21	\$ 0.175	\$ 0.175	\$ 3.500
2019-20	0.175	0.175	3.500
2018-19	0.141	0.141	2.500
2017-18	0.150	0.150	2.500
2016-17	0.150	0.150	2.500
2015-16	0.150	0.150	2.500
2014-15	0.150	0.150	2.500
2013-14	0.140	0.140	2.500
2012-13	0.140	0.140	2.500
2011-12	0.140	0.140	2.500

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2020-21	1,304	\$ 69,287	\$ -	0.00%	\$ -
2019-20	1,304	69,421	-	0.00%	-
2018-19	1,304	69,307	-	0.00%	-
2017-18	1,304	65,313	-	0.00%	-
2016-17	1,304	65,036	-	0.00%	-
2015-16	1,304	64,152	-	0.00%	-
2014-15	1,304	64,066	-	0.00%	-
2013-14	1,304	62,246	-	0.00%	-
2012-13	1,304	63,107	-	0.00%	-
2011-12	1,304	62,246	-	0.00%	-

(1) Weldon Cooper Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

Table 9

Town of Hurt, Virginia  
Computation of Legal Debt Margin  
June 30, 2021

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Assessed valuations:	
Assessed value of real estate	<u>\$ 69,287,400</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	\$ 6,928,740
Total debt applicable to limitation	<u>-</u>
Legal debt margin	<u>\$ 6,928,740</u>

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## COMPLIANCE SECTION

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

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To the Members of Council  
Town of Hurt, Virginia  
Hurt, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Hurt, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Hurt, Virginia's basic financial statements and have issued our report thereon dated December 21, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying scheduling of findings and responses, as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

## Compliance and Other Matters

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

## Town of Hurt, Virginia's Response to Findings

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Robinson, Farmer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia  
December 21, 2021

## Town of Hurt, Virginia

**Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section I - Summary of Auditors' Results****Financial Statements**

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

**Section II - Financial Statement Findings****2021-001**


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Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments to ensure such statements complied with Generally Accepted Accounting Principles.
Cause:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Recommendation:	Management should continue to work towards making all necessary entries and adjustments.
Management's Response:	The Town Treasurer will work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.

*The remainder of this page is left blank intentionally.*



## Town of Hurt, Virginia

**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2021**

**Section II - Financial Statement Findings (Continued)****2021-002**

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable, and billing and collection functions.
Cause:	The Town lacks the funding to fully support a completely segregated finance department.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate the condition would require additional staff.

**2021-003**

Criteria:	A key concept of internal controls is accurate monthly bank reconciliations.
Condition:	The Town stopped completing accurate bank reconciliations for any of the checking accounts in February 2020. The new Town staff worked to get reconciliations caught up through December 2020 but had not completed the June 2021 reconciliation as of August audit fieldwork.
Cause:	The Town Treasurer got behind in reconciling the monthly bank reconciliations and was unable to get caught up in a timely manner. Subsequently, the previous Treasurer left employment and the position was vacant for a period of time. The new Treasurer is still learning the new accounting software.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Recommendation:	The Town Treasurer should reconcile the bank statement for each bank and investment account monthly by the 15th of the subsequent month and provide it to Council for review.
Management's Response:	Management concurs with the finding and plans to begin a monthly bank reconciliation and review process for all bank accounts.

**Town of Hurt, Virginia**

**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2021**

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**Section III - Status of Prior Audit Findings**

Findings 2020-001, 2020-002, and 2020-003 have been repeated in the current year as 2021-001 , 2021-002, and 2021-003, respectively.