

TOWN OF HURT, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF HURT, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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FINANCIAL REPORT
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TOWN OF HURT, VIRGINIA

TOWN COUNCIL

Gary K. Hodnett, Mayor
Bob Majure, Vice-Mayor
Kathy Keesee
Glen Mitchell
Jeremiah Knowles
Pierre Richard Jr.
Gary Poindexter

OTHER OFFICIALS

Ellen Brumfield Town Treasurer
Kelsie Sligh Town Clerk



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position 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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Hurt, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Restatement of Beginning Balances

As described in Note 18 to the financial statements, in 2023, the Town restated beginning balances to correct prior year unearned revenue. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Hurt, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Hurt, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Hurt, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Hurt, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, 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 black ink that reads "Robinson, Farmer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
November 10, 2023

Town of Hurt, Virginia
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 352,945	\$ 196,477	\$ 549,422
Investments	363,782	366,123	729,905
Receivables (net of allowance for uncollectibles):			
Taxes receivable	294,458	-	294,458
Accounts receivable	13,235	123,685	136,920
Lease receivable	190,199	-	190,199
Internal balances	145,237	(145,237)	-
Intergovernmental receivable	2,620	-	2,620
Restricted assets:			
Cash and cash equivalents	-	8,570	8,570
Prepaid items	8,896	-	8,896
Inventories - land held for resale	181,693	-	181,693
Capital assets (net of accumulated depreciation):			
Land	78,141	-	78,141
Construction in progress	114,593	-	114,593
Buildings	115,536	-	115,536
Improvements other than buildings	5,019	-	5,019
Machinery and equipment	84,232	24,320	108,552
Lines and infrastructure	-	1,599,359	1,599,359
Total assets	\$ 1,950,586	\$ 2,173,297	\$ 4,123,883
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 42,735	\$ 9,272	\$ 52,007
OPEB related items	15,098	2,101	17,199
Total deferred outflows of resources	\$ 57,833	\$ 11,373	\$ 69,206
LIABILITIES			
Accounts payable	\$ 170,895	\$ 21,627	\$ 192,522
Accrued wages	7,720	1,479	9,199
Customers' deposits	-	21,620	21,620
Accrued interest payable	-	607	607
Construction payable	22,287	-	22,287
Unearned revenue	66,004	-	66,004
Long-term liabilities:			
Due within one year	1,208	5,557	6,765
Due in more than one year	184,657	183,875	368,532
Total liabilities	\$ 452,771	\$ 234,765	\$ 687,536
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 17,369	\$ 14,078	\$ 31,447
OPEB related items	42,322	1,418	43,740
Deferred revenue - property taxes	270,940	-	270,940
Lease related items	178,812	-	178,812
Total deferred inflows of resources	\$ 509,443	\$ 15,496	\$ 524,939
NET POSITION			
Net investment in capital assets	\$ 375,234	\$ 1,489,673	\$ 1,864,907
Restricted:			
Forfeited asset funds	16,221	-	16,221
Debt service and bond covenants	-	8,570	8,570
Unrestricted	654,750	436,166	1,090,916
Total net position	\$ 1,046,205	\$ 1,934,409	\$ 2,980,614

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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 205,052	\$ 17,085	\$ 130,364	\$ -	\$ -	(57,603)	\$ -	(57,603)
Public safety	256,432	1,370	203,721	-	-	(51,341)	-	(51,341)
Public works	78,585	5,376	-	-	-	(73,209)	-	(73,209)
Community development	36,742	-	-	-	-	(36,742)	-	(36,742)
Total governmental activities	\$ 576,811	\$ 23,831	\$ 334,085	\$ -	\$ -	(218,895)	\$ -	(218,895)
Business-type activities:								
Water and Sewer	\$ 478,091	\$ 441,923	\$ 74,614	\$ 16,410	\$ -	\$ 54,856	\$ 54,856	54,856
Total primary government	\$ 1,054,902	\$ 465,754	\$ 408,699	\$ 16,410	\$ -	(218,895)	\$ 54,856	(164,039)
General revenues:								
General property taxes	\$				\$ 223,022	\$ -	\$ -	223,022
Other local taxes:								
Local sales and use taxes					40,908	-	-	40,908
Consumers' utility taxes					23,680	-	-	23,680
Business license taxes					27,635	-	-	27,635
Restaurant food taxes					56,618	-	-	56,618
Motor vehicle licenses					48,113	-	-	48,113
Consumption taxes					3,631	-	-	3,631
Unrestricted revenues from use of money					19,165	13,658		32,823
Miscellaneous					16,016	21,182		37,198
Grants and contributions not restricted to specific programs					58,772	-	-	58,772
Total general revenues					\$ 517,560	\$ 34,840	\$ -	552,400
Change in net position					\$ 298,665	\$ 89,696	\$ -	388,361
Net position - beginning, as restated					747,540	1,844,713		2,592,253
Net position - ending					\$ 1,046,205	\$ 1,934,409	\$ -	2,980,614

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

Town of Hurt, Virginia
Balance Sheet
Governmental Fund
June 30, 2023

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 352,945
Investments	363,782
Receivables (net of allowance for uncollectibles):	
Taxes receivable	294,458
Accounts receivable	13,235
Lease receivable	190,199
Due from other funds	145,237
Intergovernmental receivable	2,620
Prepaid items	8,896
Inventories - land held for resale	181,693
Total assets	<u>\$ 1,553,065</u>
LIABILITIES	
Accounts payable	\$ 170,895
Accrued wages	7,720
Construction payable	22,287
Unearned revenue	66,004
Total liabilities	<u>\$ 266,906</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 296,345
Lease related items	178,812
Total deferred inflows of resources	<u>\$ 475,157</u>
FUND BALANCE	
Nonspendable:	
Land held for resale	\$ 181,693
Prepaid items	8,896
Restricted:	
Forfeited asset funds	16,221
Unassigned	604,192
Total fund balance	<u>\$ 811,002</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,553,065</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, 2023

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	811,002
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	78,141	
Construction in progress		114,593	
Buildings		115,536	
Improvements other than buildings		5,019	
Machinery and equipment		84,232	397,521

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			25,405
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Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.

OPEB related items	\$	15,098	
Pension related items		42,735	57,833

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	\$	(1,611)	
Net OPEB liabilities		(28,565)	
Net pension liability		(155,689)	(185,865)

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

OPEB related items	\$	(42,322)	
Pension related items		(17,369)	(59,691)

Net position of governmental activities		\$	1,046,205
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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, 2023

	<u>General</u>
REVENUES	
General property taxes	\$ 217,595
Other local taxes	200,585
Fines and forfeitures	1,370
Revenue from the use of money and property	36,250
Charges for services	5,376
Miscellaneous	16,016
Intergovernmental:	
Commonwealth	114,317
Federal	278,540
Total revenues	<u>\$ 870,049</u>
EXPENDITURES	
Current:	
General government administration	\$ 224,688
Public safety	257,416
Public works	78,052
Community development	36,742
Capital projects	275,721
Total expenditures	<u>\$ 872,619</u>
Net change in fund balance	\$ (2,570)
Fund balance - beginning, as restated	813,572
Fund balance - ending	<u>\$ 811,002</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, 2023

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

Net change in fund balance - total governmental fund	\$	(2,570)
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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 details the items supporting this adjustment:

Capital outlays	\$ 302,481	
Depreciation expense	<u>(31,935)</u>	270,546

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		5,427
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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	\$ 2,002	
Change in net pension liability and related items	19,891	
Change in net OPEB liabilities and related items	<u>3,369</u>	25,262

Change in net position of governmental activities	\$	<u><u>298,665</u></u>
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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, 2023

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 196,477
Investments	366,123
Accounts receivable, net of allowance for uncollectibles	123,685
Total current assets	<u>\$ 686,285</u>
Noncurrent assets:	
Restricted cash and cash equivalents:	
Debt reserve account	\$ 8,570
Capital assets, net of accumulated depreciation	
Lines and infrastructure	1,599,359
Machinery and equipment	24,320
Total noncurrent assets	<u>\$ 1,632,249</u>
Total assets	<u>\$ 2,318,534</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 9,272
OPEB related items	2,101
Total deferred outflows of resources	<u>\$ 11,373</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 21,627
Accrued wages	1,479
Accrued interest payable	607
Due to General fund	145,237
Compensated absences - current portion	988
Customer deposits payable	21,620
Bonds payable - current portion	4,569
Total current liabilities	<u>\$ 196,127</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 129,437
Compensated absences - net of current portion	329
Net pension liability	51,246
Net OPEB liability	2,863
Total noncurrent liabilities	<u>\$ 183,875</u>
Total liabilities	<u>\$ 380,002</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 14,078
OPEB related items	1,418
Total deferred inflows of resources	<u>\$ 15,496</u>
NET POSITION	
Net investment in capital assets	\$ 1,489,673
Restricted for debt service and bond covenants	8,570
Unrestricted	436,166
Total net position	<u>\$ 1,934,409</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, 2023

	<u>Water & Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 395,609
Sewer revenues	8,950
Connection fees	37,364
Miscellaneous revenue	21,182
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	74,614
Total operating revenues	<u>\$ 537,719</u>
OPERATING EXPENSES	
Salaries and fringes	\$ 77,236
Utilities	15,920
Purchase of water and sewer	153,288
Supplies, maintenance and repairs	79,433
Office expense	10,420
Insurance	965
Professional services	20,913
Service agreements	3,155
Miscellaneous	14,842
Depreciation	99,457
Total operating expenses	<u>\$ 475,629</u>
Operating income (loss)	<u>\$ 62,090</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 13,658
Interest expense	(2,462)
Total nonoperating revenues (expenses)	<u>\$ 11,196</u>
Income before contributions and transfers	<u>\$ 73,286</u>
Capital contributions	\$ 16,410
Change in net position	<u>\$ 89,696</u>
Total net position - beginning, as restated	1,844,713
Total net position - ending	<u><u>\$ 1,934,409</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, 2023

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 451,357
Receipts from operating grants	34,844
Payments to suppliers	(298,337)
Payments to and for employees	(98,739)
Net cash provided by (used for) operating activities	<u>\$ 89,125</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for interfund services used	<u>\$ 122,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset additions	\$ (53,678)
Principal payments on bonds	(3,064)
Capital contributions	16,410
Proceeds from indebtedness	67,271
Interest payments	(1,983)
Net cash provided by (used for) capital and related financing activities	<u>\$ 24,956</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 13,658</u>
Net increase (decrease) in cash and cash equivalents	\$ 250,483
Cash and cash equivalents - beginning (includes restricted cash of \$8,570 and investments of \$298,466)	<u>320,687</u>
Cash and cash equivalents - ending (includes restricted cash of \$8,570 and investments of \$366,123)	<u><u>\$ 571,170</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 62,090</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 99,457
(Increase) decrease in accounts receivable	(20,256)
(Increase) decrease in intergovernmental receivables	6,014
(Increase) decrease in prepaid items	241
(Increase) decrease in deferred outflows of resources	(726)
Increase (decrease) in operating accounts payable	358
Increase (decrease) in accrued wages	(2,244)
Increase (decrease) in customer deposits	8,508
Increase (decrease) in deferred inflows of resources	(25,991)
Increase (decrease) in net OPEB liability	1,218
Increase (decrease) in net pension liability	5,753
Increase (decrease) in compensated absences	487
Increase (decrease) in unearned grant revenue	(45,784)
Total adjustments	<u>\$ 27,035</u>
Net cash provided by (used for) operating activities	<u><u>\$ 89,125</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, 2023

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, 2023

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, 2023

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, 2023

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 5th. Personal property taxes are due and collectible annually on December 5th. 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 \$40,444 for property taxes and \$31,407 for water and sewer receivables at June 30, 2023.

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, 2023

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.

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 includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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 includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases 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, 2023

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

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

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

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, 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).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

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

12. Net Position

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

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the 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.

13. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

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

13. Leases (Continued)

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2023, the General Fund had expenditures in excess of appropriations.

C. Deficit fund balance:

At June 30, 2023, there were no funds with deficit fund balance.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2023

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 & 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, 2023 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, 2023 were rated by Standard & Poor's and the ratings below are presented using the Standard & 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)	\$ 729,905

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:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less 1 yr</u>
Local Government Investment Pool (LGIP)	\$ 729,905	\$ 729,905

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 4 - Intergovernmental Receivables:

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

	Governmental Activities
<u>Commonwealth of Virginia:</u>	
Communications tax	\$ 2,620
Total	<u>\$ 2,620</u>

Note 5 - Interfund Obligations:

Fund	Due From	Due To
General Fund	\$ 145,237	\$ -
Water & Sewer Fund	-	(145,237)
Total	<u>\$ 145,237</u>	<u>\$ (145,237)</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 - Leases Receivable:

The following is a summary of leases receivable transactions of the Town for the year ended June 30, 2023:

	Beginning Balance	Increases/	Decreases/	Ending	Interest
Lease receivable	<u>\$ 201,761</u>	<u>\$ -</u>	<u>\$ (11,562)</u>	<u>\$ 190,199</u>	<u>\$ 5,895</u>

Lease revenue recognized during the fiscal year was \$11,562.

Lease Description	Implementation Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
ATT Tower Lease	7/1/2021	12/14/2033	Monthly	3.00%	\$ 190,199	\$ 13,453

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6 - Leases Receivable: (Continued)

Annual requirements to amortize leases receivable and the related interest are as follows:

Year Ending June 30,	Principal	Interest
2024	\$ 13,453	\$ 5,532
2025	14,978	5,098
2026	15,434	4,642
2027	15,903	4,173
2028	16,387	3,689
2029-2033	104,496	9,684
2034	9,548	72
Totals	<u>\$ 190,199</u>	<u>\$ 32,890</u>

Note 7 - 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 principles, the land has been recorded as inventory - land held for resale at the lower of cost or market value.

Note 8 - 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, 2023:

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Compensated absences	\$ 3,613	\$ 708	\$ (2,710)	\$ 1,611
Net pension liability	128,379	66,157	(38,847)	155,689
Net OPEB liabilities	50,593	40,777	(62,805)	28,565
Total	<u>\$ 182,585</u>	<u>\$ 107,642</u>	<u>\$ (104,362)</u>	<u>\$ 185,865</u>

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8 - Long-Term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 1,611	\$ 1,208
Net pension liability	155,689	-
Net OPEB liabilities	28,565	-
	<hr/>	<hr/>
Total Other Obligations	\$ 185,865	\$ 1,208
	<hr/>	<hr/>
Total Long-term Obligations	\$ 185,865	\$ 1,208
	<hr/> <hr/>	<hr/> <hr/>

Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Proprietary Fund for the year ended June 30, 2023:

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Revenue Bond*	\$ 69,799	\$ 67,271	\$ (3,064)	\$ 134,006
Compensated absences	830	1,109	(622)	1,317
Net pension liability	45,493	20,975	(15,222)	51,246
Net OPEB liability	1,645	3,750	(2,532)	2,863
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 117,767	\$ 93,105	\$ (21,440)	\$ 189,432
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Loan is in draw down phase

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8 - Long-Term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

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

Year Ending June 30,	Principal	Interest
2024	\$ 4,569	\$ 4,001
2025	4,670	3,900
2026	4,773	3,797
2027	4,878	3,691
2028	4,986	3,583
2029-2033	26,636	16,212
2034-2038	29,715	13,133
2039-2043	33,151	9,697
2044-2048	20,629	4,006
Totals	<u>\$ 134,006</u>	<u>\$ 62,020</u>

Events of Default:

The Town's revenue bond is subject to the state aid intercept program. Under terms of the program, the Town's State aid is redirected to bond holders to cure any event(s) of default. In addition, the revenue bond requires the Town to maintain 100% net revenues available for annual debt service. In FY2023, the Town met this rate requirement.

Other Covenants:

The Town's revenue bond requires the Town to maintain a debt reserve of one annual principal and interest payment. The Town has set aside this reserve of \$8,570.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8 - Long-Term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds:</u>		
2022 Revenue bond in the amount of \$185,250, with an interest rate of 2.20%, issued on 5/1/2022 and maturing on 5/1/2052; semi-annual principal and interest payments of \$4,285	\$ 134,006	\$ 4,569
<u>Other Obligations:</u>		
Compensated absences	\$ 1,317	\$ 988
Net pension liability	51,246	-
Net OPEB liability	2,863	-
Total Other Obligations	\$ 55,426	\$ 988
Total Long-term Obligations	<u>\$ 189,432</u>	<u>\$ 5,557</u>

Note 9 - 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, 2023

Note 9 - Pension Plan: (Continued)

Benefit Structures (continued)

- a. 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.
- b. 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, 2023

Note 9 - 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, 2021 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	11
Inactive members:	
Vested inactive members	5
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	11
Active members	<u>4</u>
Total covered employees	<u><u>26</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - 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, 2023 was 21.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$44,692 and \$45,089 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - 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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - 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, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - Pension Plan: (Continued)**Long-Term Expected Rate of Return**

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

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - Pension Plan: (Continued)**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, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	\$ 1,016,889	\$ 843,017	\$ 173,872
Changes for the year:			
Service cost	\$ 14,546	\$ -	\$ 14,546
Interest	67,430	-	67,430
Differences between expected and actual experience	1,253	-	1,253
Assumption changes	-	-	-
Contributions - employer	-	42,264	(42,264)
Contributions - employee	-	9,352	(9,352)
Net investment income	-	(944)	944
Benefit payments, including refunds of employee contributions	(64,950)	(64,950)	-
Administrative expenses	-	(525)	525
Other changes	-	19	(19)
Net changes	\$ 18,279	\$ (14,784)	\$ 33,063
Balances at June 30, 2022	\$ 1,035,168	\$ 828,233	\$ 206,935

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9 - 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)	\$ 331,540	\$ 206,935	\$ 103,010

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

For the year ended June 30, 2023, the Town recognized pension expense of \$2,607. At June 30, 2023, 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 \$	25	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	24,157
Change in proportionate shares	7,290	7,290
Employer contributions subsequent to the measurement date	44,692	-
Total	\$ 52,007	\$ 31,447

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2023

Note 9 - Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$44,692 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, 2024. 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:

Year Ended June 30

2024	\$	(9,372)
2025		(9,759)
2026		(16,477)
2027		11,476
2028		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10- 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)

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 LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

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. 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.

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, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 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 \$1,364 and \$732 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- 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, 2023, the entity reported a liability of \$19,869 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was 0.00530% as compared to 0.01042% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$(1,243). 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, 2023, 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	\$ 1,526	\$ 3,713
Net difference between projected and actual earnings on LODA OPEB program investments	-	85
Change in assumptions	5,541	4,901
Change in proportionate share	86	29,316
Employer contributions subsequent to the measurement date	<u>1,364</u>	<u>-</u>
Total	<u>\$ 8,517</u>	<u>\$ 38,015</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- 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)***

\$1,364 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, 2024. 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>			
2024	\$		(3,915)
2025			(3,914)
2026			(3,912)
2027			(3,850)
2028			(3,943)
Thereafter			(11,328)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. 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	5.25%-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	3.69%, including inflation*

*Since LODA is funded on a current-reimbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- 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:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set back 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates of females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- Line of Duty Act (LODA) Program (OPEB Plan): (Continued)***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, 2022, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	7,214
LODA Net OPEB Liability (Asset)	<u>\$ 378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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 3.69% 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 3.69% 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, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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, 2022, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10- 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 Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, 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 (2.69%) or one percentage point higher (4.69%) than the current rate:

	Discount Rate		
	1% Decrease (2.69%)	Current (3.69%)	1% Increase (4.69%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 22,680	\$ 19,869	\$ 17,569

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	\$ 16,744	\$ 19,869	\$ 23,791

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt 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 \$8,984 as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$1,225 and \$606 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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, 2023, the entity reported a liability of \$11,559 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00100% as compared to 0.00054% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$890. 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.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

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

At June 30, 2023, 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	\$ 915	\$ 464
Net difference between projected and actual earnings on GLI OPEB plan investments	-	722
Change in assumptions	431	1,126
Changes in proportionate share	6,111	3,413
Employer contributions subsequent to the measurement date	<u>1,225</u>	<u>-</u>
Total	<u>\$ 8,682</u>	<u>\$ 5,725</u>

\$1,225 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ 319
2025	324
2026	(402)
2027	610
2028	881
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. 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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates of females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%
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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, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Asset Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-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 and 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, 2022, 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, 2022 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	\$ 16,820	\$ 11,559	\$ 7,308

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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, 2023

Note 12 - OPEB Summary:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plan:				
Line of Duty Act Program (Note 10)	\$ 8,517	\$ 38,015	\$ 19,869	\$ (1,243)
Group Life Insurance Plan (Note 11)	8,682	5,725	11,559	890
Totals	<u>\$ 17,199</u>	<u>\$ 43,740</u>	<u>\$ 31,428</u>	<u>\$ (353)</u>

Note 13 - Capital Assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ 48,141	\$ -	\$ 78,141
Construction in progress	-	114,593	-	114,593
Total capital assets not being depreciated	<u>\$ 30,000</u>	<u>\$ 162,734</u>	<u>\$ -</u>	<u>\$ 192,734</u>
Capital assets, being depreciated:				
Buildings	\$ 37,548	\$ 112,987	\$ -	\$ 150,535
Machinery and equipment	242,693	26,760	-	269,453
Improvements other than buildings	56,588	-	-	56,588
Total capital assets being depreciated	<u>\$ 336,829</u>	<u>\$ 139,747</u>	<u>\$ -</u>	<u>\$ 476,576</u>
Accumulated depreciation:				
Buildings	\$ (34,680)	\$ (319)	\$ -	\$ (34,999)
Machinery and equipment	(154,052)	(31,169)	-	(185,221)
Improvements other than buildings	(51,122)	(447)	-	(51,569)
Total accumulated depreciation	<u>\$ (239,854)</u>	<u>\$ (31,935)</u>	<u>\$ -</u>	<u>\$ (271,789)</u>
Total capital assets being depreciated, net	<u>\$ 96,975</u>	<u>\$ 107,812</u>	<u>\$ -</u>	<u>\$ 204,787</u>
Governmental activities capital assets, net	<u>\$ 126,975</u>	<u>\$ 270,546</u>	<u>\$ -</u>	<u>\$ 397,521</u>

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

Governmental activities:	
General government administration	\$ 10,673
Public safety	20,729
Public works	<u>533</u>
Total depreciation expense - governmental activities	<u>\$ 31,935</u>

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 13 - Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 151,725	\$ 53,678	\$ (205,403)	\$ -
Total capital assets not being depreciated	\$ 151,725	\$ 53,678	\$ (205,403)	\$ -
Capital assets, being depreciated:				
Machinery and equipment	\$ 38,452	\$ -	\$ -	\$ 38,452
Lines and infrastructure	3,593,710	205,403	-	3,799,113
Total capital assets being depreciated	\$ 3,632,162	\$ 205,403	\$ -	\$ 3,837,565
Accumulated depreciation:				
Machinery and equipment	\$ (8,638.00)	\$ (5,494)	\$ -	\$ (14,132)
Lines and infrastructure	(2,105,791)	(93,963)	-	(2,199,754)
Total accumulated depreciation	\$ (2,114,429)	\$ (99,457)	\$ -	\$ (2,213,886)
Total capital assets being depreciated, net	\$ 1,517,733	\$ 105,946	\$ -	\$ 1,623,679
Business-type activities capital assets, net	\$ 1,669,458	\$ 159,624	\$ (205,403)	\$ 1,623,679

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

Business-type activities:	
Water and sewer	\$ 99,457

Note 14 - 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 15 - 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.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 16 - 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	\$ -	\$ 25,405
Prepaid taxes	2,483	2,483
Tax assessments due after June 30	268,457	268,457
Lease related items	178,812	178,812
	<hr/>	<hr/>
Total deferred/unavailable revenue	\$ <u>449,752</u>	\$ <u>475,157</u>

Note 17- Litigation:

As of June 30, 2023, 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.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 18-Restatement of Beginning Balances:

The Town corrected the beginning balances for the General Fund and beginning net position for Governmental activities and the Business-type activities of the Water & Sewer fund. The town recognized additional ARPA grant revenue for FY22, thereby reducing unearned grant revenue.

	General Fund	
Fund Balance, as previously reported	\$ 736,122	
Adjustments:		
Correct unearned ARPA revenue	77,450	
Fund balance, as restated	<u>\$ 813,572</u>	

	Governmental Activities	Business-type Activities Water & Sewer Fund
Net position, as previously reported	\$ 670,090	\$ 1,824,067
Adjustments:		
Correct unearned ARPA revenue	77,450	20,646
Net position, as restated	<u>\$ 747,540</u>	<u>\$ 1,844,713</u>

Note 19-Commitments:

At June 30, 2023, the Town had the following outstanding construction and capital commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable
Town Hall Renovations	\$ 105,075	\$ 26,269	\$ -
Town Hall Renovations	22,287	22,287	22,287

Note 20-COVID-19 Pandemic Funding:

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.

The Town is received total CSLFRF funding of \$601,098. The town had received both tranches of funding as of June 30, 2023. 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 \$66,004 from the allocation are reported as unearned revenue as of June 30.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 21 - Subsequent Events:

On June 30, 2023, the Town purchased the shopping plaza next to town hall with plans to renovate and rent the space to tenants. The financial closing wasn't completed until July 13, 2023, and on this date the prior owner assigned the current leases from the property to the town. These leases will be evaluated and included in the financial statements in FY2024.

Note 22 - Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

Town of Hurt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	<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>
REVENUES				
General property taxes	\$ 198,190	\$ 198,190	\$ 217,595	\$ 19,405
Other local taxes	209,785	209,785	200,585	(9,200)
Fines and forfeitures	300	300	1,370	1,070
Revenue from the use of money and property	15,550	15,550	36,250	20,700
Charges for services	5,544	5,544	5,376	(168)
Miscellaneous	8,925	8,925	16,016	7,091
Intergovernmental:				
Commonwealth	120,032	120,032	114,317	(5,715)
Federal	-	-	278,540	278,540
Total revenues	<u>\$ 558,326</u>	<u>\$ 558,326</u>	<u>\$ 870,049</u>	<u>\$ 311,723</u>
EXPENDITURES				
Current:				
General government administration	\$ 204,571	\$ 204,571	\$ 224,688	\$ (20,117)
Public safety	284,621	284,621	257,416	27,205
Public works	89,018	89,018	78,052	10,966
Community development	24,200	24,200	36,742	(12,542)
Capital projects	-	-	275,721	(275,721)
Total expenditures	<u>\$ 602,410</u>	<u>\$ 602,410</u>	<u>\$ 872,619</u>	<u>\$ (270,209)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (44,084)</u>	<u>\$ (44,084)</u>	<u>\$ (2,570)</u>	<u>\$ 41,514</u>
Net change in fund balance	<u>\$ (44,084)</u>	<u>\$ (44,084)</u>	<u>\$ (2,570)</u>	<u>\$ 41,514</u>
Fund balance - beginning, as restated	44,084	44,084	813,572	769,488
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 811,002</u></u>	<u><u>\$ 811,002</u></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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 14,546	\$ 12,430	\$ 20,274	\$ 14,782	\$ 17,702	\$ 15,485	\$ 17,633	\$ 17,324	\$ 16,498
Interest	67,430	67,631	62,492	66,323	63,888	62,617	61,456	59,274	57,618
Differences between expected and actual experience	1,253	(75,971)	54,455	(80,324)	1,305	(25,641)	(7,271)	5,806	-
Changes in assumptions	-	46,006	-	27,191	-	19,530	-	-	-
Benefit payments	(64,950)	(70,287)	(51,882)	(47,410)	(48,795)	(58,885)	(51,563)	(50,907)	(50,032)
Net change in total pension liability	\$ 18,279	\$ (20,191)	\$ 85,339	\$ (19,438)	\$ 34,100	\$ 13,106	\$ 20,255	\$ 31,497	\$ 24,084
Total pension liability - beginning	1,016,889	1,037,080	951,741	971,179	937,079	923,973	903,718	872,221	848,137
Total pension liability - ending (a)	\$ 1,035,168	\$ 1,016,889	\$ 1,037,080	\$ 951,741	\$ 971,179	\$ 937,079	\$ 923,973	\$ 903,718	\$ 872,221
Plan fiduciary net position									
Contributions - employer	\$ 42,264	\$ 22,920	\$ 29,241	\$ 39,707	\$ 30,191	\$ 30,504	\$ 29,355	\$ 31,455	\$ 34,583
Contributions - employee	9,352	5,019	6,490	8,898	6,703	6,787	6,259	6,679	9,770
Net investment income	(944)	185,588	13,338	44,311	45,887	69,590	9,951	25,824	78,172
Benefit payments	(64,950)	(70,287)	(51,882)	(47,410)	(48,795)	(58,885)	(51,563)	(50,907)	(50,032)
Administrator charges	(525)	(489)	(463)	(425)	(397)	(416)	(367)	(360)	(423)
Other	19	17	(16)	(28)	(41)	(61)	(4)	(6)	4
Net change in plan fiduciary net position	\$ (14,784)	\$ 142,768	\$ (3,292)	\$ 45,053	\$ 33,548	\$ 47,519	\$ (6,369)	\$ 12,685	\$ 72,074
Plan fiduciary net position - beginning	843,017	700,249	703,541	658,488	624,940	577,421	583,790	571,105	499,031
Plan fiduciary net position - ending (b)	\$ 828,233	\$ 843,017	\$ 700,249	\$ 703,541	\$ 658,488	\$ 624,940	\$ 577,421	\$ 583,790	\$ 571,105
Town's net pension liability - ending (a) - (b)	\$ 206,935	\$ 173,872	\$ 336,831	\$ 248,200	\$ 312,691	\$ 312,139	\$ 346,552	\$ 319,928	\$ 301,116
Plan fiduciary net position as a percentage of the total pension liability	80.01%	82.90%	67.52%	73.92%	67.80%	66.69%	62.49%	64.60%	65.48%
Covered payroll	\$ 277,163	\$ 108,802	\$ 140,432	\$ 184,818	\$ 140,819	\$ 142,439	\$ 122,183	\$ 133,574	\$ 133,574
Town's net pension liability as a percentage of covered payroll	74.66%	159.81%	239.85%	134.29%	222.05%	219.14%	283.63%	239.51%	225.43%

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, 2014 through June 30, 2023

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)
2023	\$ 44,692	\$ 44,692	\$ -	\$ 226,825	19.70%
2022	45,089	45,089	-	277,163	16.27%
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%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Town of Hurt, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022

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)
2022	0.00530% \$	19,869 \$	96,879	20.51%	1.87%
2021	0.01042%	45,951	79,867	57.53%	1.68%
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. 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
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2023

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)
2023	\$ 1,364	\$ 1,364	\$ -	\$ 99,546	1.37%
2022	723	723	-	96,879	0.75%
2021	1,435	1,435	-	79,867	1.80%
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. Information prior to the 2017 valuation is not 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, 2023

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, 2021 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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, 2022

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)
2022	0.001000% \$	11,559 \$	277,163	4.17%	67.21%
2021	0.000540%	6,287	108,802	5.78%	67.45%
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, 2014 through June 30, 2023

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)
2023	\$ 1,225	\$ 1,225	\$ -	\$ 226,825	0.54%
2022	606	606	-	277,163	0.22%
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%

Town of Hurt, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Hurt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 153,208	\$ 153,208	\$ 158,700	\$ 5,492
SCC Real Estate	4,500	4,500	5,535	1,035
Personal property taxes	39,582	39,582	51,926	12,344
Penalties	400	400	599	199
Interest	500	500	835	335
Total general property taxes	<u>\$ 198,190</u>	<u>\$ 198,190</u>	<u>\$ 217,595</u>	<u>\$ 19,405</u>
Other local taxes:				
Local sales and use tax	\$ 36,465	\$ 36,465	\$ 40,908	\$ 4,443
Consumers' utility tax	25,000	25,000	23,680	(1,320)
Consumption taxes	3,924	3,924	3,631	(293)
Business license tax	53,500	53,500	27,635	(25,865)
Motor vehicle licenses	38,061	38,061	48,113	10,052
Restaurant food taxes	52,835	52,835	56,618	3,783
Total other local taxes	<u>\$ 209,785</u>	<u>\$ 209,785</u>	<u>\$ 200,585</u>	<u>\$ (9,200)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 300	\$ 300	\$ 1,370	\$ 1,070
Total fines and forfeitures	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 1,370</u>	<u>\$ 1,070</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 550	\$ 550	\$ 19,165	\$ 18,615
Revenue from use of property	15,000	15,000	17,085	2,085
Total revenue from use of money and property	<u>\$ 15,550</u>	<u>\$ 15,550</u>	<u>\$ 36,250</u>	<u>\$ 20,700</u>
Charges for services:				
Garbage	\$ 5,544	\$ 5,544	\$ 5,376	\$ (168)
Total charges for services	<u>\$ 5,544</u>	<u>\$ 5,544</u>	<u>\$ 5,376</u>	<u>\$ (168)</u>
Miscellaneous:				
Miscellaneous	\$ 8,925	\$ 8,925	\$ 16,016	\$ 7,091
Total miscellaneous	<u>\$ 8,925</u>	<u>\$ 8,925</u>	<u>\$ 16,016</u>	<u>\$ 7,091</u>
Total revenue from local sources	<u>\$ 438,294</u>	<u>\$ 438,294</u>	<u>\$ 477,192</u>	<u>\$ 38,898</u>

Town of Hurt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,000	\$ 8,000	\$ 7,740	\$ (260)
Communications tax	20,228	20,228	16,357	(3,871)
Personal property tax relief act funds	48,378	48,378	34,675	(13,703)
Game of Skill	1,200	1,200	-	(1,200)
Total noncategorical aid	<u>\$ 77,806</u>	<u>\$ 77,806</u>	<u>\$ 58,772</u>	<u>\$ (19,034)</u>
Categorical aid:				
Other categorical aid:				
Local law enforcement grants	\$ 30,726	\$ 30,726	\$ 38,941	\$ 8,215
Litter control grant	1,500	1,500	1,604	104
Fire program funds	10,000	10,000	15,000	5,000
Total other categorical aid	<u>\$ 42,226</u>	<u>\$ 42,226</u>	<u>\$ 55,545</u>	<u>\$ 13,319</u>
Total revenue from the Commonwealth	<u>\$ 120,032</u>	<u>\$ 120,032</u>	<u>\$ 114,317</u>	<u>\$ (5,715)</u>
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	\$ -	\$ -	\$ 278,540	\$ 278,540
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,540</u>	<u>\$ 278,540</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,540</u>	<u>\$ 278,540</u>
Total General Fund	<u>\$ 558,326</u>	<u>\$ 558,326</u>	<u>\$ 870,049</u>	<u>\$ 311,723</u>

Town of Hurt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023

<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>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 2,400	\$ 2,400	\$ 1,200	\$ 1,200
General and financial administration:				
Administrative	\$ 179,373	\$ 179,373	\$ 197,998	\$ (18,625)
Information Technology	13,798	13,798	16,741	(2,943)
Legal Services	9,000	9,000	8,749	251
Total general and financial administration	\$ 202,171	\$ 202,171	\$ 223,488	\$ (21,317)
Total general government administration	\$ 204,571	\$ 204,571	\$ 224,688	\$ (20,117)
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 254,621	\$ 254,621	\$ 222,416	\$ 32,205
Fire and rescue services:				
Volunteer Fire Department	\$ 30,000	\$ 30,000	\$ 35,000	\$ (5,000)
Total public safety	\$ 284,621	\$ 284,621	\$ 257,416	\$ 27,205
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 36,775	\$ 36,775	\$ 39,687	\$ (2,912)
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 52,243	\$ 52,243	\$ 38,365	\$ 13,878
Total public works	\$ 89,018	\$ 89,018	\$ 78,052	\$ 10,966
Community development:				
Planning and community development:				
Community and Economic Development	\$ 24,200	\$ 24,200	\$ 36,742	\$ (12,542)
Total community development	\$ 24,200	\$ 24,200	\$ 36,742	\$ (12,542)
Capital projects/capital outlays:				
Town Hall Renovations	\$ -	\$ -	\$ 114,593	\$ (114,593)
Plaza building purchase	-	-	161,128	(161,128)
Total capital projects	\$ -	\$ -	\$ 275,721	\$ (275,721)
Total General Fund	\$ 602,410	\$ 602,410	\$ 872,619	\$ (270,209)

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
2022-23	\$ 205,052	\$ 256,432	\$ 78,585	\$ 36,742	\$ 478,091	\$ 1,054,902
2021-22	198,048	220,376	71,418	15,455	424,668	929,965
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

(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					Grants and Contributions Not Restricted to Specific Programs		
				General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous				
2022-23	\$ 465,754	\$ 408,699	\$ 16,410	\$ 223,022	\$ 200,585	\$ 32,823	\$ 37,198	\$ 58,772	\$ 1,443,263		
2021-22	392,080	48,067	113,125	195,538	188,758	7,950	23,153	60,736	1,029,407		
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		

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
2022-23	\$ 224,688	\$ 257,416	\$ 78,052	\$ 36,742	\$ 275,721	\$ 872,619
2021-22	220,867	232,250	70,885	15,455	-	539,457
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

Table 4

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

Fiscal Year	Revenue from the							Total
	General Property Taxes	Other Local Taxes (1)	Fines and Forfeitures	Use of Money and Property	Miscellaneous	Recovered Costs	Inter- governmental	
2022-23	\$ 217,595	\$ 200,585	\$ 1,370	\$ 36,250	\$ 16,016	\$ -	\$ 392,857	\$ 864,673
2021-22	193,081	188,758	533	24,263	11,412	-	108,803	\$ 526,850
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	555,950
2015-16	127,030	115,191	5,296	14,523	2,604	37,578	96,691	398,913
2014-15	119,426	131,194	9,825	20,333	6,022	38,923	108,404	434,127
2013-14	115,223	100,110	15,163	9,449	1,251	32,973	111,701	385,870

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		Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Tax Collections to Tax Levy		
2022-23	\$ 277,434	\$ 250,364	90.24%	\$ 1,906	\$ 252,270	90.93%	\$ 49,919	17.99%	
2021-22	214,378	212,990	99.35%	14,766	227,756	106.24%	40,510	18.90%	
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%	

(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					
2022-23	\$	69,424,300	\$	3,242,240	\$	4,119,276	\$	18,395	\$	76,804,211
2021-22		69,481,900		2,587,650		4,874,976		-		76,944,526
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

(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.

Table 7

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

Fiscal Year	Real Estate		Mobile Homes		Personal Property	
2022-23	\$	0.220	\$	0.220	\$	3.750
2021-22		0.175		0.175		3.500
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

(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 (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2022-23	\$ 1,256	\$ 69,424	\$ -	0.00%	\$ -
2021-22	1,304	69,482	-	0.00%	-
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%	-

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

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

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.
Excludes lease liabilities, revenue bonds, net pension/OPEB liabilities,
and compensated absences.

Table 9

Town of Hurt, Virginia
Computation of Legal Debt Margin
June 30, 2023

Assessed valuations:	
Assessed value of real estate	<u>\$ 69,424,300</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	\$ 6,942,430
Total debt applicable to limitation	<u>-</u>
Legal debt margin	<u>\$ 6,942,430</u>

Table 10

Town of Hurt, Virginia
Virginia Resource Authority (VRA) Rate Covenant Compliance
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Operation and Maintenance Expenses (4)</u>	<u>Net Revenues Available for Debt Services</u>	<u>Debt Service (3)</u>	<u>Coverage (2)</u>
2022-23	551,377	376,172	175,205	5,047	3471%

(1) Only one year available

(2) Net revenues available for debt service/debt service (100% required for compliance)

(3) Debt service excludes line of credit payments and refunded debt service

(4) Operation and maintenance expenses exclude depreciation



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

**To the 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, 2023, 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 November 10, 2023.

Report on 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying scheduling of findings and responses, as item 2023-001, that we consider to be a material weakness.

Report on 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 the Finding

Government Auditing Standards requires the auditor to perform limited procedures on Town of Hurt, Virginia's response to the finding 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 the response.

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.



Blacksburg, Virginia
November 10, 2023

Town of Hurt, Virginia

Schedule of Findings and Responses
For the Year Ended June 30, 2023

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

2023-001

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.

Section III - Status of Prior Audit Findings

Finding 2022-001 has been repeated in the current year as 2023-001. Finding 2022-002 was corrected during the year.