

TOWN OF HURT, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF HURT, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Elected and Appointed Officials		<u>Page</u> 1
---	--	------------------

FINANCIAL SECTION

Independent Auditors' Report		<u>Page</u> 2-4
Basic Financial Statements:	<u>Exhibit</u>	<u>Page</u>
Government-wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Fund	3	7
Reconciliation of the Balance Sheet - Governmental Fund to the Government-wide Statement of Net Position	4	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Government-wide Statement of Activities	6	10
Statement of Net Position - Proprietary Fund	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	12
Statement of Cash Flows - Proprietary Fund	9	13
Notes to the Financial Statements		14-49
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
General Fund	10	50
Schedule of Changes in Net Pension Liability and Related Ratios	11	51
Schedule of Employer Contributions	12	52
Notes to Required Supplementary Information	13	53
Other Supplementary Information:	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Fund	1	54
Schedule of Expenditures - Budget and Actual - Governmental Fund	2	55
Other Statistical Information:	<u>Table</u>	<u>Page</u>
Government-wide Information:		
Government-wide Expenses by Function	1	56
Government-wide Revenues	2	57

TOWN OF HURT, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Other Statistical Information: (continued)	<u>Table</u>	<u>Page</u>
Fund Information:		
General Governmental Expenditures by Function	3	58
General Governmental Revenues by Source	4	59
Property Tax Levies and Collections	5	60
Assessed Value of Taxable Property	6	61
Property Tax Rates	7	62
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	63
Computation of Legal Debt Margin	9	64

COMPLIANCE SECTION

	<u>Page</u>
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 <i>Government Auditing Standards</i>	65-66
Schedule of Findings and Responses	67-68

INTRODUCTORY SECTION

TOWN OF HURT, VIRGINIA

TOWN COUNCIL

Gary Poindexter, Mayor
Norman Bivens, Vice-Mayor
Michael Blackstock
Donney Johnson
Lorraine "Rainy" Clay
Thomas Neal
Collin Adams

OTHER OFFICIALS

Susan Nichols..... Town Treasurer/Clerk

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hurt, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Hurt, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Hurt, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 50 and 51-53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, 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 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 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.



Blacksburg, Virginia
December 21, 2017

Basic Financial Statements

Town of Hurt, Virginia
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 178,323	\$ 121,729	\$ 300,052
Investments	134,988	153,358	288,346
Receivables (net of allowance for uncollectibles):			
Taxes receivable	162,871	-	162,871
Accounts receivable	10,197	45,818	56,015
Internal balances	170,514	(170,514)	-
Intergovernmental receivable	3,736	-	3,736
Prepaid items	3,330	-	3,330
Inventories - land held for resale	236,900	-	236,900
Capital assets (net of accumulated depreciation):			
Land	30,000	-	30,000
Buildings	6,879	-	6,879
Improvements other than buildings	1,579	-	1,579
Machinery and equipment	10,272	-	10,272
Lines and infrastructure	-	1,766,943	1,766,943
Total assets	<u>\$ 949,589</u>	<u>\$ 1,917,334</u>	<u>\$ 2,866,923</u>
DEFERRED OUTFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 12,768	\$ 6,487	\$ 19,255
Pension contributions subsequent to measurement date	26,584	3,920	30,504
Total deferred outflows of resources	<u>\$ 39,352</u>	<u>\$ 10,407</u>	<u>\$ 49,759</u>
LIABILITIES			
Accounts payable	\$ 1,455	\$ 2,657	\$ 4,112
Accrued wages	5,008	1,033	6,041
Customers' deposits	-	9,313	9,313
Long-term liabilities:			
Due within one year	4,233	842	5,075
Due in more than one year	297,678	50,566	348,244
Total liabilities	<u>\$ 308,374</u>	<u>\$ 64,411</u>	<u>\$ 372,785</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 6,850	\$ 459	\$ 7,309
Deferred revenue - property taxes	146,322	-	146,322
Total deferred inflows of resources	<u>\$ 153,172</u>	<u>\$ 459</u>	<u>\$ 153,631</u>
NET POSITION			
Investment in capital assets	\$ 48,730	\$ 1,766,943	\$ 1,815,673
Restricted:			
Forfeited asset funds	24,802	-	24,802
Unrestricted	453,863	95,928	549,791
Total net position	<u>\$ 527,395</u>	<u>\$ 1,862,871</u>	<u>\$ 2,390,266</u>

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

Town of Hurt, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital	Governmental Activities	Business-type Activities	Total
		Charges for Services	Grants and Contributions	Grants and Contributions			
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 137,861	\$ -	\$ -	\$ -	\$ (137,861)	\$ -	\$ (137,861)
Public safety	136,656	2,917	43,489	-	(90,250)	-	(90,250)
Public works	95,330	-	-	-	(95,330)	-	(95,330)
Community development	30,636	-	-	-	(30,636)	-	(30,636)
Total governmental activities	\$ 400,483	\$ 2,917	\$ 43,489	\$ -	\$ (354,077)	\$ -	\$ (354,077)
Business-type activities:							
Water and Sewer	\$ 282,190	\$ 227,338	\$ -	\$ -	\$ -	\$ (54,852)	\$ (54,852)
Total primary government	\$ 682,673	\$ 230,255	\$ 43,489	\$ -	\$ (354,077)	\$ (54,852)	\$ (408,929)
General revenues:							
General property taxes	\$ 112,538	\$ -	\$ -	\$ -	\$ 112,538	\$ -	\$ 112,538
Other local taxes:							
Local sales and use taxes	25,978				25,978		25,978
Consumers' utility taxes	24,585				24,585		24,585
Business license taxes	16,299				16,299		16,299
Restaurant food taxes	37,201				37,201		37,201
Motor vehicle licenses	31,560				31,560		31,560
Consumption taxes	3,613				3,613		3,613
Unrestricted revenues from use of money and property	16,276			1,240	17,516		17,516
Miscellaneous	131,842			175	132,017		132,017
Grants and contributions not restricted to specific programs	65,477			-	65,477		65,477
Total general revenues	\$ 465,369	\$ 1,415	\$ 466,784	\$ -	\$ 466,784	\$ 1,415	\$ 468,199
Change in net position	\$ 111,292	\$ (53,437)	\$ 57,855	\$ -	\$ 57,855	\$ (53,437)	\$ 4,418
Net position - beginning	416,103	1,916,308	2,332,411	-	2,744,822	1,916,308	4,661,130
Net position - ending	\$ 527,395	\$ 1,862,871	\$ 2,390,266	\$ -	\$ 2,390,266	\$ 1,862,871	\$ 4,273,536

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

Town of Hurt, Virginia
Balance Sheet
Governmental Fund
June 30, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 178,323
Investments	134,988
Receivables (net of allowance for uncollectibles):	
Taxes receivable	162,871
Accounts receivable	10,197
Due from other funds	170,514
Intergovernmental receivable	3,736
Prepaid items	3,330
Inventories - land held for resale	236,900
Total assets	<u>\$ 900,859</u>
LIABILITIES	
Accounts payable	\$ 1,455
Accrued wages	5,008
Total liabilities	<u>\$ 6,463</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>\$ 160,059</u>
FUND BALANCE	
Nonspendable:	
Land held for resale	\$ 236,900
Prepaid items	3,330
Restricted:	
Forfeited asset funds	24,802
Unassigned	469,305
Total fund balance	<u>\$ 734,337</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 900,859</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, 2017

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	734,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	30,000	
Buildings	6,879	
Improvements other than buildings	1,579	
Machinery and equipment	10,272	48,730
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	13,737	
Items related to measurement of net pension liability	(6,850)	6,887
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		26,584
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	(5,644)	
Deferred outflows of resources related to net pension liability - difference between expected and actual	12,768	
Net pension liability	(296,267)	(289,143)
Net position of governmental activities		\$ 527,395

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, 2017

	<u>General</u>
REVENUES	
General property taxes	\$ 122,718
Other local taxes	139,236
Fines and forfeitures	2,917
Revenue from the use of money and property	16,276
Miscellaneous	131,842
Recovered costs	33,995
Intergovernmental:	
Commonwealth	108,966
Total revenues	<u>\$ 555,950</u>
 EXPENDITURES	
Current:	
General government administration	\$ 167,976
Public safety	134,561
Public works	94,334
Community development	30,636
Total expenditures	<u>\$ 427,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 128,443</u>
Net change in fund balance	\$ 128,443
Fund balance - beginning	605,894
Fund balance - ending	<u><u>\$ 734,337</u></u>

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

Town of Hurt, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance of Governmental Fund
 To the Statement of Activities
 For the Year Ended June 30, 2017

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

Net change in fund balance - total governmental fund		\$ 128,443
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.</p>		
Depreciation expense		(7,414)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase (decrease) in unavailable revenue - property taxes	(10,180)	
(Increase) decrease in deferred inflows of resources related to measurement of net pension liability	6,318	(3,862)
<p>Pension contributions subsequent to the measurement date will be a decrease in the net pension liability in the next fiscal year and therefore, are not reported in the funds</p>		
		271
<p>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.</p>		
Decrease (increase) in compensated absences	(1,336)	
Increase (decrease) in deferred outflows of resources related to measurement of net pension liability	12,768	
Decrease (increase) in net pension liability	(17,578)	(6,146)
Change in net position of governmental activities		\$ 111,292

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, 2017

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 121,729
Investments	153,358
Accounts receivables, net of allowance for uncollectibles	45,818
Total current assets	<u>\$ 320,905</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Lines and infrastructure	\$ 1,766,943
Total assets	<u>\$ 2,087,848</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Items related to measurement of net pension liability	\$ 6,487
Pension contributions subsequent to measurement date	3,920
Total deferred outflows of resources	<u>\$ 10,407</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,657
Accrued wages	1,033
Due to General fund	170,514
Compensated absences - current portion	842
Customer deposits payable	9,313
Total current liabilities	<u>\$ 184,359</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 281
Net pension liability	50,285
Total noncurrent liabilities	<u>\$ 50,566</u>
Total liabilities	<u>\$ 234,925</u>
 DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 459</u>
 NET POSITION	
Investment in capital assets	\$ 1,766,943
Unrestricted	95,928
Total net position	<u><u>\$ 1,862,871</u></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, 2017

	<u>Water & Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 218,124
Sewer revenues	5,445
Recovered costs	8,404
Miscellaneous revenue	175
Total operating revenues	<u>\$ 232,148</u>
OPERATING EXPENSES	
Salaries and fringes	\$ 30,163
Utilities	9,875
Purchase of water and sewer	113,697
Supplies, maintenance and repairs	32,821
Office expense	2,510
Insurance	1,609
Professional services	4,000
Service agreements	7,546
Miscellaneous	2,820
Depreciation	85,553
Total operating expenses	<u>\$ 290,594</u>
Operating income (loss)	<u>\$ (58,446)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 1,240
Connection fees	3,769
Total nonoperating revenues (expenses)	<u>\$ 5,009</u>
Change in net position	<u>\$ (53,437)</u>
Total net position - beginning	1,916,308
Total net position - ending	<u><u>\$ 1,862,871</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, 2017

	<u>Water & Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 236,841
Payments to suppliers	(192,270)
Payments to and for employees	(28,827)
Payments for interfund services used	25,168
Net cash provided by (used for) operating activities	<u>\$ 40,912</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset additions	\$ (16,225)
Connection fees	3,769
Net cash provided by (used for) capital and related financing activities	<u>\$ (12,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 1,240
Net cash provided by (used for) investing activities	<u>\$ 1,240</u>
Net increase (decrease) in cash and cash equivalents	\$ 29,696
Cash and cash equivalents - beginning	245,391
Cash and cash equivalents - ending	<u>\$ 275,087</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (58,446)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 85,553
(Increase) decrease in accounts receivable	3,003
Increase (decrease) in net pension liability	9,046
(Increase) decrease in deferred outflows of resources	(5,958)
Increase (decrease) in deferred inflows of resources	(1,490)
Increase (decrease) in customer deposits	1,690
Increase (decrease) in operating accounts payable	(17,392)
Increase (decrease) in compensated absences	(262)
Increase (decrease) in due to other funds	25,168
Total adjustments	<u>\$ 99,358</u>
Net cash provided by (used for) operating activities	<u>\$ 40,912</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, 2017

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 - None

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*.

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, 2017

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 funds:

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 funds:

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

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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 \$23,821 for property taxes and \$18,706 for water and sewer receivables at June 30, 2017.

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, 2017

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

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

6. Capital Assets (continued)

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

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has two items that qualify for reporting in this category. The first item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions and the net difference between projected and actual earnings on pension plan investments. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

8. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of deferred inflows of resources. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on future tax bills are reported as deferred inflow of resources. In addition, the net difference between projected and actual earnings on pension plan investments related to the measurement of the net pension liability are reported as deferred inflows of resources. For more detailed information on the pension item, reference the pension note.

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.

The remainder of this page is left blank intentionally.

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

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

10. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

The remainder of this page is left blank intentionally.

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

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

11. Net Position

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

12. Net Position Flow Assumption

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

The remainder of this page is left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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, 2017, the General Government Administration had expenditures in excess of appropriations.

C. Deficit fund equity:

At June 30, 2017, there were no funds with deficit fund equity.

The remainder of this page is left blank intentionally.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 3 - Deposits and Investments:

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, 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, 2017 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, 2017 were rated by Standard and Poor's and the rating below are presented using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool (LGIP)	\$ 288,346

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 under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 yr</u>
Local Government Investment Pool (LGIP)	\$ 288,346	\$ 288,346

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 4 - Intergovernmental Receivables:

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

	<u>Primary Government</u> <u>General Fund</u>
<u>Commonwealth of Virginia:</u>	
Communications tax	\$ 3,736
 Total	 \$ 3,736

Note 5 - Interfund Obligations:

<u>Fund</u>	<u>Due to</u> <u>General Fund</u>	<u>Due From</u> <u>Water & Sewer Fund</u>
General Fund	\$ -	\$ 170,514
Water & Sewer Fund	\$ 170,514	\$ -

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

Note 6 - Inventory - Land Held for Resale:

The Town purchased and developed land for the Key Industrial Park. The costs of the Park included development fees of \$305,113 between 1992 and 2007. The land is approximately 105 acres and has an assessed value of \$236,900. In accordance with generally accepted accounting standards, the land has been recorded as inventory - land held for resale at the lower of cost or market value.

Note 7 - Long-Term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Compensated absences	\$ 4,308	\$ 4,567	\$ (3,231)	\$ 5,644
Net pension liability	278,689	67,931	(50,353)	296,267
 Total	 \$ 282,997	 \$ 72,498	 \$ (53,584)	 \$ 301,911

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 7 - Long-Term Obligations: (continued)

Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 5,644	\$ 4,233
Net pension liability	296,267	-
Total Other Obligations	<u>\$ 301,911</u>	<u>\$ 4,233</u>
Total Long-Term Obligations	<u>\$ 301,911</u>	<u>\$ 4,233</u>

Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2017.

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Compensated absences	\$ 1,385	\$ 777	\$ (1,039)	\$ 1,123
Net pension liability	41,240	16,713	(7,668)	50,285
Total	<u>\$ 42,625</u>	<u>\$ 17,490</u>	<u>\$ (8,707)</u>	<u>\$ 51,408</u>

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 1,123	\$ 842
Net pension liability	50,285	-
Total Other Obligations	<u>\$ 51,408</u>	<u>\$ 842</u>
Total Long-Term Obligations	<u>\$ 51,408</u>	<u>\$ 842</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8 - Pension Plan:

Plan Description

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	8
Inactive members:	
Vested inactive members	2
Non-vested inactive members	0
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	12
Active members	<u>4</u>
Total covered employees	<u><u>24</u></u>

Contributions

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

The Town’s contractually required contribution rate for the year ended June 30, 2017 was 21.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Contributions (Continued)

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 \$30,504 and \$28,496 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

The remainder of this page is left blank intentionally.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

The remainder of this page is left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 903,718	\$ 583,790	\$ 319,928
Changes for the year:			
Service cost	\$ 17,633	\$ -	\$ 17,633
Interest	61,456	-	61,456
Differences between expected and actual experience	(7,271)	-	(7,271)
Contributions - employer	-	29,355	(29,355)
Contributions - employee	-	6,259	(6,259)
Net investment income	-	9,951	(9,951)
Benefit payments, including refunds of employees contributions	(51,563)	(51,563)	-
Administrative expenses	-	(367)	367
Other changes	-	(4)	4
Net changes	\$ 20,255	\$ (6,369)	\$ 26,624
Balances at June 30, 2016	\$ 923,973	\$ 577,421	\$ 346,552

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8—Pension Plan: (Continued)

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Town Net Pension Liability	463,181	346,552	250,080

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

For the year ended June 30, 2017, the Town recognized pension expense of \$31,182. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,163
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	15,109	-
Change in proportionate share	4,146	4,146
Employer contributions subsequent to the measurement date	<u>30,504</u>	<u>-</u>
Total	<u>\$ 49,759</u>	<u>\$ 7,309</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8—Pension Plan: (Continued)

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

\$30,504 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2018	\$	(3,046)
2019		119
2020		8,806
2021		6,067
Thereafter		-

The remainder of this page is left blank intentionally.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9 - Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, being depreciated:				
Buildings	\$ 37,548	\$ -	\$ -	\$ 37,548
Machinery and equipment	172,086	-	-	172,086
Improvements other than buildings	49,888	-	-	49,888
Total capital assets being depreciated	<u>\$ 259,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,522</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation:				
Buildings	\$ (29,756)	\$ (913)	\$ -	\$ (30,669)
Machinery and equipment	(155,839)	(5,975)	-	(161,814)
Improvements other than buildings	(47,783)	(526)	-	(48,309)
Total accumulated depreciation	<u>\$ (233,378)</u>	<u>\$ (7,414)</u>	<u>\$ -</u>	<u>\$ (240,792)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated, net	<u>\$ 26,144</u>	<u>\$ (7,414)</u>	<u>\$ -</u>	<u>\$ 18,730</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities capital assets, net	<u>\$ 56,144</u>	<u>\$ (7,414)</u>	<u>\$ -</u>	<u>\$ 48,730</u>

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

Governmental activities:	
General government administration	\$ 3,666
Public safety	3,615
Public works	<u>133</u>
Total depreciation expense-governmental activities	<u>\$ 7,414</u>

The remainder of this page is left blank intentionally.

TOWN OF HURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9 - Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Lines and infrastructure	\$ 3,425,891	\$ 16,225	\$ -	\$ 3,442,116
Total capital assets being depreciated	<u>\$ 3,425,891</u>	<u>\$ 16,225</u>	<u>\$ -</u>	<u>\$ 3,442,116</u>
Accumulated depreciation:				
Lines and infrastructure	\$ (1,589,620)	\$ (85,553)	\$ -	\$ (1,675,173)
Total accumulated depreciation	<u>\$ (1,589,620)</u>	<u>\$ (85,553)</u>	<u>\$ -</u>	<u>\$ (1,675,173)</u>
Total capital assets being depreciated, net	<u>\$ 1,836,271</u>	<u>\$ (69,328)</u>	<u>\$ -</u>	<u>\$ 1,766,943</u>
Business-type Activities capital assets, net	<u><u>\$ 1,836,271</u></u>	<u><u>\$ (69,328)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,766,943</u></u>

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

Business-type activities:	
Water and Sewer	<u>\$ 85,553</u>

Note 10 - 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.

The remainder of this page is left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 11 - 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. Deferred/unavailable revenue is comprised of the following:

	<u>Government-Wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 13,737
Tax assessments due after June 30	<u>146,322</u>	<u>146,322</u>
Total deferred/unavailable revenue	\$ <u>146,322</u>	\$ <u>160,059</u>

Note 12 - Litigation:

As of June 30, 2017, there were no matters of litigation involving the Town which would materially affect the Town’s financial position should a court decision on pending matters not be favorable.

Note 13 - Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 13 - Upcoming Pronouncements: (Continued)

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Required Supplementary Information

Town of Hurt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 125,024	\$ 125,024	\$ 122,718	\$ (2,306)
Other local taxes	125,872	125,872	139,236	13,364
Fines and forfeitures	6,000	6,000	2,917	(3,083)
Revenue from the use of money and property	15,280	15,280	16,276	996
Miscellaneous	975	975	131,842	130,867
Recovered costs	31,500	31,500	33,995	2,495
Intergovernmental:				
Commonwealth	106,296	106,296	108,966	2,670
Total revenues	<u>\$ 410,947</u>	<u>\$ 410,947</u>	<u>\$ 555,950</u>	<u>\$ 145,003</u>
EXPENDITURES				
Current:				
General government administration	\$ 139,077	\$ 139,077	\$ 167,976	\$ (28,899)
Public safety	145,493	145,493	134,561	10,932
Public works	130,056	130,056	94,334	35,722
Community development	30,200	30,200	30,636	(436)
Total expenditures	<u>\$ 444,826</u>	<u>\$ 444,826</u>	<u>\$ 427,507</u>	<u>\$ 17,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,879)</u>	<u>\$ (33,879)</u>	<u>\$ 128,443</u>	<u>\$ 162,322</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	\$ 33,879	\$ 33,879	\$ -	\$ (33,879)
Total other financing sources (uses)	<u>\$ 33,879</u>	<u>\$ 33,879</u>	<u>\$ -</u>	<u>\$ (33,879)</u>
Net change in fund balance	\$ -	\$ -	\$ 128,443	\$ 128,443
Fund balance - beginning	-	-	605,894	605,894
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,337</u>	<u>\$ 734,337</u>

Town of Hurt, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 17,633	\$ 17,324	\$ 16,498
Interest	61,456	59,274	57,618
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(7,271)	5,806	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(51,563)	(50,907)	(50,032)
Net change in total pension liability	\$ 20,255	\$ 31,497	\$ 24,084
Total pension liability - beginning	903,718	872,221	848,137
Total pension liability - ending (a)	\$ 923,973	\$ 903,718	\$ 872,221
Plan fiduciary net position			
Contributions - employer	\$ 29,355	\$ 31,455	\$ 34,583
Contributions - employee	6,259	6,679	9,770
Net investment income	9,951	25,824	78,172
Benefit payments, including refunds of employee contributions	(51,563)	(50,907)	(50,032)
Administrative expense	(367)	(360)	(423)
Other	(4)	(6)	4
Net change in plan fiduciary net position	\$ (6,369)	\$ 12,685	\$ 72,074
Plan fiduciary net position - beginning	583,790	571,105	499,031
Plan fiduciary net position - ending (b)	\$ 577,421	\$ 583,790	\$ 571,105
Political subdivision's net pension liability - ending (a) - (b)	\$ 346,552	\$ 319,928	\$ 301,116
Plan fiduciary net position as a percentage of the total pension liability	62.49%	64.60%	65.48%
Covered payroll	\$ 122,183	\$ 137,574	\$ 133,574
Political subdivision's net pension liability as a percentage of covered payroll	283.63%	232.55%	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
 For the Year Ended June 30, 2008 through June 30, 2017

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)
2017	\$ 30,504	\$ 30,504	\$ -	\$ 140,701	21.68%
2016	28,496	28,496	-	122,183	23.32%
2015	32,261	32,261	-	137,574	23.45%
2014	34,115	34,115	-	133,574	25.54%
2013	32,481	32,481	-	127,177	25.54%
2012	30,676	30,676	-	119,036	25.77%
2011	29,437	29,437	-	114,229	25.77%
2010	21,796	21,796	-	111,661	19.52%
2009	21,806	21,806	-	111,711	19.52%
2008	1,629	1,629	-	120,640	1.35%

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

Town of Hurt, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

OTHER SUPPLEMENTARY INFORMATION SECTION

Supporting Schedules

Town of Hurt, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2017

<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	\$ 102,524	\$ 102,524	\$ 106,569	\$ 4,045
Personal property taxes	22,500	22,500	16,149	(6,351)
Total general property taxes	<u>\$ 125,024</u>	<u>\$ 125,024</u>	<u>\$ 122,718</u>	<u>\$ (2,306)</u>
Other local taxes:				
Local sales and use tax	\$ 24,572	\$ 24,572	\$ 25,978	\$ 1,406
Consumers' utility tax	22,800	22,800	24,585	1,785
Consumption taxes	3,000	3,000	3,613	613
Business license tax	13,000	13,000	16,299	3,299
Motor vehicle licenses	31,500	31,500	31,560	60
Restaurant food taxes	31,000	31,000	37,201	6,201
Total other local taxes	<u>\$ 125,872</u>	<u>\$ 125,872</u>	<u>\$ 139,236</u>	<u>\$ 13,364</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 6,000	\$ 6,000	\$ 2,917	\$ (3,083)
Revenue from use of money and property:				
Revenue from use of money	\$ 100	\$ 100	\$ 1,096	\$ 996
Revenue from use of property	15,180	15,180	15,180	-
Total revenue from use of money and property	<u>\$ 15,280</u>	<u>\$ 15,280</u>	<u>\$ 16,276</u>	<u>\$ 996</u>
Miscellaneous:				
Miscellaneous	\$ 975	\$ 975	\$ 3,062	\$ 2,087
Sale of timber	-	-	128,780	128,780
Total miscellaneous	<u>\$ 975</u>	<u>\$ 975</u>	<u>\$ 131,842</u>	<u>\$ 130,867</u>
Recovered costs:				
Recovered costs	\$ 31,500	\$ 31,500	\$ 33,995	\$ 2,495
Total revenue from local sources	<u>\$ 304,651</u>	<u>\$ 304,651</u>	<u>\$ 446,984</u>	<u>\$ 142,333</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 9,205	\$ 9,205	\$ 8,359	\$ (846)
Communications tax	21,000	21,000	22,443	1,443
Personal property tax relief act funds	34,675	34,675	34,675	-
Total noncategorical aid	<u>\$ 64,880</u>	<u>\$ 64,880</u>	<u>\$ 65,477</u>	<u>\$ 597</u>
Categorical aid:				
Local law enforcement grants	\$ 30,216	\$ 30,216	\$ 31,422	\$ 1,206
Litter control grant	1,200	1,200	2,067	867
Fire program funds	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 41,416</u>	<u>\$ 41,416</u>	<u>\$ 43,489</u>	<u>\$ 2,073</u>
Total revenue from the Commonwealth	<u>\$ 106,296</u>	<u>\$ 106,296</u>	<u>\$ 108,966</u>	<u>\$ 2,670</u>
Total General Fund	<u>\$ 410,947</u>	<u>\$ 410,947</u>	<u>\$ 555,950</u>	<u>\$ 145,003</u>

Town of Hurt, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2017

<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	\$ -	\$ -	\$ 2,476	\$ (2,476)
General and financial administration:				
Administrative	\$ 139,077	\$ 139,077	\$ 165,500	\$ (26,423)
Total general government administration	\$ 139,077	\$ 139,077	\$ 167,976	\$ (28,899)
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 145,493	\$ 145,493	\$ 134,561	\$ 10,932
Total public safety	\$ 145,493	\$ 145,493	\$ 134,561	\$ 10,932
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 39,600	\$ 39,600	\$ 65,453	\$ (25,853)
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 90,456	\$ 90,456	\$ 28,881	\$ 61,575
Total public works	\$ 130,056	\$ 130,056	\$ 94,334	\$ 35,722
Community development:				
Planning and community development:				
Community and Economic Development	\$ 30,200	\$ 30,200	\$ 30,636	\$ (436)
Total General Fund	\$ 444,826	\$ 444,826	\$ 427,507	\$ 17,319

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Community Development	Water and Sewer	Total
2016-17	\$ 137,861	\$ 136,656	\$ 95,330	\$ 30,636	\$ 282,190	\$ 682,673
2015-16	122,880	138,849	59,821	16,941	301,077	639,568
2014-15	132,786	145,680	62,756	22,250	302,198	665,670
2013-14 (1)	120,210	180,736	58,095	27,755	278,497	665,293
2012-13	109,059	147,127	69,331	19,359	262,975	607,851
2011-12	118,275	169,716	60,376	11,497	217,641	577,505
2010-11	115,131	150,772	54,297	39,060	229,165	588,425
2009-10	122,135	120,849	86,684	20,606	222,769	573,043
2008-09	137,134	133,875	118,837	15,500	206,519	611,865
2007-08	164,507	121,944	58,158	19,309	184,371	548,289

(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		General Property Taxes	Other Local Taxes	Revenue from the Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2016-17	\$ 230,255	\$ 43,489	\$ -	\$ -	\$ 112,538	\$ 139,236	\$ 17,516	\$ 132,017	\$ 65,477	\$ 740,528	
2015-16	239,346	29,716	71,022		91,029	115,191	14,981	2,794	66,975	631,054	
2014-15	223,440	40,775	-		120,031	131,194	20,485	6,133	67,629	609,687	
2013-14	219,382	41,276	170,577		124,615	100,110	9,531	1,251	70,425	737,167	
2012-13	196,681	38,919	758,585		122,427	104,683	9,023	5,004	68,184	1,303,506	
2011-12	213,723	38,549	314,713		118,793	104,779	8,289	3,401	66,701	868,948	
2010-11 (1)	180,086	39,781	20,961		129,570	101,163	9,250	1,006	67,566	549,383	
2009-10	183,330	40,226	-		125,089	122,563	9,827	35,972	34,675	551,682	
2008-09	173,092	43,059	-		95,365	126,452	19,882	5,077	34,675	497,602	
2007-08	179,377	45,889	-		132,422	103,386	21,866	9,493	34,675	527,108	

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

Table 3

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Community Development	Capital Projects	Total
2016-17	\$ 167,976	\$ 134,561	\$ 94,334	\$ 30,636	\$ -	\$ 427,507
2015-16	156,641	133,131	59,688	16,941	-	366,401
2014-15	171,893	139,769	62,623	22,250	-	396,535
2013-14	161,764	167,361	57,962	27,755	-	414,842
2012-13	138,678	129,297	69,198	19,359	-	356,532
2011-12	164,442	183,714	60,243	11,497	-	419,896
2010-11	143,423	137,920	54,164	24,300	-	359,807
2009-10	110,463	106,113	86,684	20,606	29,974	353,840
2008-09	113,051	122,600	110,862	15,500	33,331	395,344
2007-08	138,568	109,467	58,158	19,309	7,012	332,514

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

Fiscal Year	General Property Taxes	Other Local Taxes (1)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Miscellaneous	Recovered Costs	Inter-governmental (1)	Total
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
2012-13	113,454	104,683	-	14,578	8,853	5,004	31,056	126,896	404,524
2011-12	112,786	104,779	-	9,788	8,121	3,401	47,603	107,569	394,047
2010-11 (1)	125,172	101,163	-	4,401	9,010	1,006	35,569	107,596	383,917
2009-10	125,089	95,877	22,799	3,887	9,612	37,736	-	74,901	369,901
2008-09	95,365	98,716	26,891	845	18,158	5,002	-	77,734	322,711
2007-08	96,466	100,455	-	1,399	19,047	8,193	-	80,564	306,124

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

Table 5

Town of Hurt, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years (3)

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	Outstanding Delinquent Taxes		
2016-17	\$ 161,116	\$ 144,211	89.51%	13,182	\$ 157,393	97.69%	\$ 40,370	25.06%	
2015-16	157,110	148,869	94.75%	12,836	161,705	102.92%	48,457	30.84%	
2014-15	158,243	148,018	93.54%	5,042	153,060	96.72%	78,300	49.48%	
2013-14	152,656	146,384	95.89%	3,502	149,886	98.19%	83,941	54.99%	
2012-13	147,844	141,714	95.85%	6,014	147,728	99.92%	69,471	46.99%	
2011-12	145,362	144,010	99.07%	3,014	147,024	101.14%	55,059	37.88%	
2010-11	159,445	156,820	98.35%	2,308	159,128	99.80%	61,345	38.47%	

(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.

(3) Only seven years available.

Table 6

Town of Hurt, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years (4)

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Public Utility (2)		Total
			Real Estate	Personal Property	
2016-17	\$ 65,035,800	\$ 2,282,940	\$ 7,383,356	\$ 15,317	\$ 74,717,413
2015-16	64,152,300	2,171,610	7,077,646	17,708	73,419,264
2014-15	64,065,800	2,310,290	7,067,210	17,681	73,460,981
2013-14	62,245,600	2,497,770	5,941,953	13,598	70,698,921
2012-13	63,106,500	2,271,430	5,686,082	13,408	71,077,420
2011-12	62,245,600	2,497,770	5,941,953	13,598	70,698,921
2010-11	62,498,400	2,662,170	7,669,176	13,081	72,842,827

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

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

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

(4) Only seven years available.

Table 7

Town of Hurt, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years (2)

Fiscal Year	Real Estate	Mobile Homes	Personal Property
2016-17	\$ 0.150	\$ 0.150	\$ 2.500
2015-16	0.150	0.150	2.500
2014-15	0.150	0.150	2.500
2013-14	0.140	0.140	2.500
2012-13	0.140	0.140	2.500
2011-12	0.140	0.140	2.500
2010-11	0.140	0.140	2.500

(1) Per \$100 of assessed value.

(2) Only seven years available.

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 (1)

Fiscal Year	Population (2)	Assessed Value (in thousands) (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016-17	1,304	\$ 65,036	\$ -	0.00%	\$ -
2015-16	1,304	64,152	-	0.00%	-
2014-15	1,304	64,066	-	0.00%	-
2013-14	1,304	62,246	-	0.00%	-
2012-13	1,304	63,107	-	0.00%	-
2011-12	1,304	62,246	-	0.00%	-
2010-11	1,304	62,498	-	0.00%	-

(1) Information has only been available for seven years.

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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; 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, 2017, and the related notes to the financial statements, which collectively comprise Town of Hurt, Virginia's basic financial statements and have issued our report thereon dated December 21, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses [2017-001 and 2017-002].

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Hurt, Virginia's Response to Findings

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

Purpose of this Report

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



Blacksburg, Virginia
December 21, 2017

Town of Hurt, Virginia

Schedule of Findings and Responses
For the Year Ended June 30, 2017

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

2017-001

Criteria:	Per Statement on Auditing Standards 115, 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 by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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.

Town of Hurt, Virginia

Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Findings (Continued)

2017-002

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