

**Town of Hillsville, Virginia**

*Financial Statements*

*Year Ended June 30, 2022*

**Town Council**

Gregory N. Crowder, Mayor  
Ed Terry, Vice Mayor  
Barry Jessup  
Greg Yonce  
David Young

**Town Manager**

Retta N. Jackson

**Town Attorney**

Cassell & Crewe

**Treasurer**

LeAnna Surratt

**Independent Auditors**

HBC CPAs

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hillsville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Hillsville, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Hillsville, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent Town of Hillsville, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1(R) to the financial statements, in 2022, the Town of Hillsville, Virginia adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

# DRAFT

## *Auditor's Responsibility for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hillsville, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hillsville, Virginia's ability to continue as a going concern for a reasonable period of time.

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

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

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

# DRAFT

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Hillsville, Virginia's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of Town of Hillsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Hillsville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Hillsville, Virginia's internal control over financial reporting and compliance.



Hicok, Brown & Company  
Abingdon, Virginia

January 27, 2023

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# DRAFT

HBC  
CERTIFIED PUBLIC  
ACCOUNTANTS

TRUST. LEGACY. VALUE. IT ALL ADDS UP.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hillsville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Hillsville, Virginia's basic financial statements, and have issued our report thereon dated January 27, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Hillsville, 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 the Town of Hillsville, Virginia's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Town of Hillsville, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hillsville, 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*.

# DRAFT

**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.

*Hicok, Brown & Company*

Hicok, Brown & Company  
Abingdon, Virginia

January 27, 2023

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# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

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As management of the Town of Hillsville (“the Town), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

### Financial Highlights

- The Town of Hillsville’s net position was \$9.6 million at the end of the current fiscal year.
- Total investment in capital assets, net of related debt was \$3.8 million.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$5.8 million, an increase of \$546 thousand in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.2 million.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the Town.

### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits C through G) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the **Notes to Financial Statements**. The notes to financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplemental Information** is provided to show details about the Town’s individual funds. Budgetary information required by the Commonwealth of Virginia’s General Statutes (“the General Statutes”) also can be found in this part of the statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town’s financial status as a whole.

The two government-wide statements report the Town’s net position and how it has changed. Net position is equal to the Town’s total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town’s financial condition.

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# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

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The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, community development, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

The government-wide financial statements are on Exhibits A and B of this report.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in Virginia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements and include the General Fund and the Community Development Block Grant (“CDBG”) Fund. Most of the Town's basic services are accounted for in governmental funds. These funds focus on near-term inflows and outflows of spendable resources, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Town Council; 2) the final budget as amended by the Town Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The Town has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activity operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

### Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

### Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees and information about expenditures of Federal awards. Required supplementary information can be found beginning on page 59 of this report.

### Town of Hillsville's Net Position

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's net position was \$9.6 million as of June 30, 2022, an increase of \$1.2 million compared to the prior year-end. A significant portion of net position (40%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) and economic development, less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The Town's financial position as of June 30, 2022 and 2021 is shown in Figure 1.

#### Assets, Liabilities, and Net Position

Figure 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 8,880,926	\$ 8,376,659	\$ 1,187,421	\$ 1,511,965	\$ 10,068,347	\$ 9,888,624
Capital assets	2,582,040	1,849,863	10,163,498	10,521,673	12,745,538	12,371,536
Total assets	<u>11,462,966</u>	<u>10,226,522</u>	<u>11,350,919</u>	<u>12,033,638</u>	<u>22,813,885</u>	<u>22,260,160</u>
Total deferred outflows of resources	<u>207,434</u>	<u>220,881</u>	<u>101,655</u>	<u>102,649</u>	<u>309,089</u>	<u>323,530</u>
Long-term liabilities	1,436,525	2,118,919	8,300,042	9,178,202	9,736,567	11,297,121
Other liabilities	344,881	364,901	594,050	739,376	938,531	1,104,277
Total liabilities	<u>1,781,006</u>	<u>2,483,820</u>	<u>8,894,092</u>	<u>9,917,578</u>	<u>10,675,098</u>	<u>12,401,398</u>
Total deferred inflows of resources	<u>2,652,954</u>	<u>1,961,920</u>	<u>224,172</u>	<u>(111,185)</u>	<u>2,877,126</u>	<u>1,850,735</u>
Net position:						
Invested in capital assets, net of related debt	2,048,548	1,368,950	1,786,339	1,589,628	3,834,887	2,958,578
Restricted	65,391	65,306	-	-	65,391	65,306
Unrestricted	5,122,501	4,567,407	547,971	740,266	5,670,472	5,307,673
Total net position	<u>\$ 7,236,440</u>	<u>\$ 6,001,663</u>	<u>\$ 2,334,310</u>	<u>\$ 2,329,984</u>	<u>\$ 9,570,750</u>	<u>\$ 8,331,557</u>

# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

**Governmental activities.** Governmental activities increased the Town's net position by \$1.2 million for the year ended June 30, 2022 which compares to an increase of \$856 thousand in the prior year.

**Business-type activities:** Business-type activities decreased the Town's net position by \$4 thousand for the year ended June 30, 2022 compared to \$187 thousand for the year ended June 30, 2021, primarily due to grant funding.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Changes in net position are shown in Figure 2.

**Changes in Net Position**  
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenue</b>						
Program revenues:						
Charges for services	\$ 443,581	\$ 526,339	\$ 1,738,131	\$ 1,697,105	\$ 2,181,712	\$ 2,223,444
Operating grants and contributions	126,316	197,452	-	-	126,316	197,452
Capital grants and contributions	224,827	481,641	124,752	11,250	349,579	492,891
General revenues:						
Property taxes	812,999	798,476	-	-	812,999	798,476
Other taxes	2,497,416	2,140,347	-	-	2,497,416	2,140,347
Interest and investment earnings	163,294	120,271	(17,053)	18,651	146,241	138,922
Other	93,994	23,899	25,656	30,017	119,650	53,916
Total revenue	<u>4,362,427</u>	<u>4,288,425</u>	<u>1,871,486</u>	<u>1,757,023</u>	<u>6,233,913</u>	<u>6,045,448</u>
<b>Expenses</b>						
General government	606,586	744,392	-	-	606,586	744,392
Public safety	1,298,710	1,493,234	-	-	1,298,710	1,493,234
Public works	941,634	1,000,734	-	-	941,634	1,000,734
Community development	180,619	148,758	-	-	180,619	148,758
Other activities	84,430	29,476	-	-	84,430	29,476
Interest on long-term debt	15,671	15,897	-	-	15,671	15,897
Water	-	-	806,476	809,505	806,476	809,505
Sewer	-	-	1,060,594	1,134,479	1,060,594	1,134,479
Total expenses	<u>3,127,650</u>	<u>3,432,491</u>	<u>1,867,070</u>	<u>1,943,984</u>	<u>4,994,720</u>	<u>5,376,475</u>
Increase (decrease) in net position before transfers	1,234,777	855,934	4,416	(186,961)	1,239,193	668,973
Transfers	-	18	-	(18)	-	-
Increase(decrease) in net position	1,234,777	855,952	4416	(186,979)	1,239,193	668,973
Net position, beginning	6,001,663	5,145,711	2,329,894	2,516,873	8,331,557	7,662,584
Net position, ending	<u>\$ 7,236,440</u>	<u>\$ 6,001,663</u>	<u>\$ 2,334,310</u>	<u>\$ 2,329,894</u>	<u>\$ 9,570,750</u>	<u>\$ 8,331,557</u>

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# Town of Hillsville, Virginia

## Management's Discussion and Analysis

*As of June 30, 2022*

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### *Financial Analysis of the Town's Funds*

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, the unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund consisted of assigned funds of \$1.1 million and unassigned funds of \$5.2 million.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$6.4 million, \$65 thousand of which were restricted.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2.3 million.

### **General Fund Budgetary Highlights**

Local sales and use taxes and bank stock taxes exceeded budget by \$110 thousand and \$108 thousand, respectively. Hotel and motel taxes and restaurant food taxes also exceeded budget by \$117 thousand and \$103 thousand, respectively.

Capital projects exceeded budget by \$266 thousand.

# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

### Capital Assets and Long-term Debt

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$12.7 million (net of accumulated depreciation). These assets include land, land improvements, buildings and improvements, vehicles, and equipment.

**Capital Assets**  
(net of depreciation)  
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 100,248	\$ 100,248	\$ 44,168	\$ 44,168	\$ 144,416	\$ 144,416
Land improvements	413,541	443,780	-	-	413,541	443,780
Buildings and improvements	634,411	531,047	9,679,575	10,065,496	10,313,986	10,596,543
Vehicles	-	-	78,042	109,170	78,042	109,170
Equipment	597,577	562,735	207,187	219,352	804,764	782,087
Construction in Progress	836,263	212,053	154,526	83,487	990,789	295,540
Total	<u>\$ 2,582,040</u>	<u>\$ 1,849,863</u>	<u>\$ 10,163,498</u>	<u>\$ 10,521,673</u>	<u>\$ 12,745,538</u>	<u>\$ 12,371,536</u>

Major capital asset transactions include the following additions and disposals:

**Changes in Capital Assets**  
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	24,275	23,625	-	-	24,275	23,625
Buildings and improvements	44,410	10,998	55,000	2,952,015	99,410	2,963,013
Vehicles	-	-	-	58,818	-	58,818
Equipment	245,321	181,685	18,116	43,142	263,436	224,827
Construction in Progress	716,335	148,653	116,038	854,116	832,373	1,002,769
Total additions	<u>\$ 1,030,341</u>	<u>\$ 364,961</u>	<u>\$ 189,154</u>	<u>\$ 3,908,091</u>	<u>\$ 1,219,494</u>	<u>\$ 4,273,052</u>
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-
Vehicles	-	-	14,000	-	14,000	-
Equipment	-	-	-	-	-	-
Construction in Progress	-	-	-	2,970,515	-	2,970,515
Total disposals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ 2,970,515</u>	<u>\$ 14,000</u>	<u>\$ 2,970,515</u>

Additional information on the Town's capital assets can be found in note 6 of the Basic Financial Statements.

# Town of Hillsville, Virginia

## Management's Discussion and Analysis

As of June 30, 2022

**Long-term Debt.** As of June 30, 2022, the Town had total bonded debt outstanding of \$8.9 million. All debt is backed by the full faith and credit of the Town.

### Outstanding Debt Installment Notes and General Obligation Bonds

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Installment notes payable	\$ 286,651	\$ 311,924	\$ -	\$ -	\$ 286,651	\$ 311,924
General obligation bonds	246,841	168,989	8,377,159	8,932,045	8,624,000	9,101,034
Total	<u>\$ 533,492</u>	<u>\$ 480,913</u>	<u>\$ 8,377,159</u>	<u>\$ 8,932,045</u>	<u>\$ 8,910,651</u>	<u>\$ 9,412,958</u>

The Town's total debt decreased by \$502 thousand during the year.

Virginia General Statutes limit the amount of general obligation debt that a unit of government can issue to 10% of the total assessed value of taxable real property located within that government's boundaries. The debt limit for the Town was approximately \$23.6 million as of June 30, 2022.

Additional information regarding the Town's long-term debt can be found in note 10 and schedules 12 and 13.

### Budget Highlights for the Fiscal Year Ending June 30, 2022

**Governmental Activities:** General fund revenues are budgeted to remain relatively stable for the fiscal year ending June 30, 2023 although expenses may increase as the Farmers Market project nears completion. The Town uses revenues to finance programs currently in place.

### Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Hillsville, Virginia, P.O. Box 545, Hillsville, Virginia 24343, (276) 728-2128, [hillsville@townofhillsville.com](mailto:hillsville@townofhillsville.com).

# Town of Hillsville, Virginia

## Statement of Net Position

June 30, 2022

Exhibit A

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,522,454	\$ 665,505	\$ 8,187,959
Investments	167,892	281,322	449,214
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	844,736	-	844,736
Accounts	254,358	155,245	409,603
Accrued charges for services	-	85,349	85,349
Loans	-	-	-
Note receivable	-	-	-
Due from other funds	59,656	-	59,565
Due from other governmental units	31,830	-	31,830
Capital assets, net	<u>2,582,040</u>	<u>10,163,498</u>	<u>12,745,538</u>
Total assets	<u>11,462,966</u>	<u>11,350,919</u>	<u>22,813,885</u>
<b>Deferred Outflows of Resources</b>	<u>207,434</u>	<u>101,655</u>	<u>309,089</u>
<b>Liabilities</b>			
Accounts payable	268,473	26,103	294,576
Deposits	3,075	109,203	112,278
Due to other funds	-	59,656	59,565
Accrued bond interest	2,252	27,333	29,585
Bonds and notes payable due within one year	75,681	371,755	442,436
Bonds and notes payable due in more than one year	462,811	8,005,404	8,468,215
Compensated absences	122,403	54,971	177,374
Net pension liability	502,341	127,491	629,832
Other post-employment benefits obligation	<u>348,970</u>	<u>112,176</u>	<u>461,146</u>
Total liabilities	<u>1,781,006</u>	<u>8,894,092</u>	<u>10,675,098</u>
<b>Deferred Inflows of Resources</b>	<u>2,652,954</u>	<u>224,172</u>	<u>2,877,126</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	2,048,548	1,786,339	3,834,887
Restricted	65,391	-	65,391
Unrestricted	<u>5,122,501</u>	<u>547,971</u>	<u>5,670,472</u>
Total net position	<u>\$ 7,236,440</u>	<u>\$ 2,334,310</u>	<u>\$ 9,570,750</u>

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

# Town of Hillsville, Virginia

Exhibit B

## Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Government Activities:							
General government	\$ (606,586)	\$ -	\$ -	\$ -	\$ (606,586)	\$ -	\$ (606,586)
Public safety	(1,298,710)	443,159	87,618	20,545	(747,388)	-	(747,388)
Public works	(941,634)	422	3,932	50,000	(887,280)	-	(887,280)
Community development	(180,619)	-	34,766	154,282	8,429	-	8,429
Other activities	(84,430)	-	-	-	(84,430)	-	(84,430)
Interest on long – term debt	(15,671)	-	-	-	(15,671)	-	(15,671)
Total government activities	<u>(3,127,650)</u>	<u>443,581</u>	<u>126,316</u>	<u>224,827</u>	<u>(2,332,926)</u>	<u>-</u>	<u>(2,332,926)</u>
Business – type activities:							
Water	(806,476)	756,286	-	6,002	-	(44,188)	(44,188)
Sewer	(1,060,594)	981,845	-	118,750	-	40,001	40,001
Total business – type activities	<u>(1,867,070)</u>	<u>1,738,131</u>	<u>-</u>	<u>124,752</u>	<u>-</u>	<u>(4,187)</u>	<u>(4,187)</u>
Total primary government	<u>\$ (4,994,720)</u>	<u>\$ 2,181,712</u>	<u>\$ 126,316</u>	<u>\$ 349,579</u>			<u>(2,337,113)</u>
General Revenues:							
General property					812,999	-	812,999
Sales tax					244,685	-	244,685
Utility tax					95,559	-	95,559
Business license					305,453	-	305,453
Franchise tax					13,128	-	13,128
Motor vehicle license					48,408	-	48,408
Bank stock tax					228,019	-	228,019
Meals tax					1,196,334	-	1,196,334
Lodgings tax					356,643	-	356,643
Other taxes					4,377	-	4,377
Licenses and permits					4,810	-	4,810
Grants and contributions not restricted to specific programs					-	-	-
Use of money and property					163,294	(17,053)	146,241
Miscellaneous					93,994	25,656	119,650
Gain (loss) on sale/retirement of capital assets					-	-	-
Transfers					-	-	-
Total general revenues and transfers					<u>3,567,703</u>	<u>8,603</u>	<u>3,576,306</u>
Change in net position					1,234,777	4,416	1,239,193
Net position, beginning					6,001,663	2,329,894	8,331,557
Net position, ending					<u>\$ 7,236,440</u>	<u>\$ 2,334,310</u>	<u>\$ 9,570,750</u>

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

# Town of Hillsville, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2022

Exhibit C  
Page 1

	<u>General Fund</u>	<u>Recovery Fund</u>	<u>CDBG Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,451,487	\$ 5,416	\$ 65,551	\$ 7,522,454
Investments	167,892	-	-	167,892
Receivables (net of allowances for uncollectibles):				
Taxes, including penalties	844,736	-	-	844,736
Accounts	254,358	-	-	254,358
Due from other funds	59,816	1,375,000	-	1,434,816
Due from other governmental units	<u>31,830</u>	<u>-</u>	<u>-</u>	<u>31,830</u>
Total assets	<u>8,810,119</u>	<u>1,380,416</u>	<u>65,551</u>	<u>10,256,086</u>
<b>Liabilities</b>				
Accounts payable	268,473	-	-	268,473
Deposits	3,075	-	-	3,075
Due to other funds	<u>1,375,000</u>	<u>-</u>	<u>160</u>	<u>1,375,160</u>
Total liabilities	<u>1,646,548</u>	<u>-</u>	<u>160</u>	<u>1,646,708</u>
<b>Deferred Inflows of Resources</b>				
Deferred revenue	<u>837,334</u>	<u>1,380,416</u>	<u>-</u>	<u>2,217,750</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted:				
Community development	-	-	65,391	65,391
Committed	-	-	-	-
Assigned:				
Capital projects	1,080,793	-	-	1,080,793
Unassigned	<u>5,245,444</u>	<u>-</u>	<u>-</u>	<u>5,245,444</u>
Total fund balances	<u>\$ 6,326,237</u>	<u>\$ -</u>	<u>\$ 65,391</u>	<u>\$ 6,391,628</u>

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

# Town of Hillsville, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2022

Exhibit C  
Page 2

	<u>Total</u>
Total fund balances per Balance Sheet for Governmental Funds	\$ 6,391,628
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets in government activities are not financial resources and therefore are not reported as fund assets. The Statement of Net Position, however, includes these assets, net of accumulated depreciation/amortization.	
Capital assets, net	2,582,040
Some receivables are not available to pay for current period expenditures and therefore are deferred in the fund financial statements.	
Property taxes	22,838
Pension expense	(367,394)
Other post-employment benefit plans	(90,648)
Pension contributions and other post-employment benefits subsequent to the measurement date of the net liability are considered to be deferred outflows of resources	207,434
Some liabilities, including general governmental bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Position.	
Accrued bond interest	(2,252)
Bonds and notes payable	(533,492)
Compensated absences	(122,403)
Net pension liability	(502,341)
Other post-employment benefits obligation	(348,970)
Net position of governmental activities	<u>\$ 7,236,440</u>

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

# Town of Hillsville, Virginia

## Statement of Revenues, Expenditures and Changes in Fund Balance

### Governmental Funds

For the Year Ended June 30, 2022

Exhibit D

Page 1

	<u>General Fund</u>	<u>Recovery Fund</u>	<u>CDBG Fund</u>	<u>Total Governmental Activities</u>
<b>Revenues:</b>				
General property taxes	\$ 811,885	\$ -	\$ -	\$ 811,885
Other local taxes	2,492,606	-	-	2,492,606
Permits, privilege fees and regulatory licenses	4,810	-	-	4,810
Fines and forfeitures	443,159	-	-	443,159
Payment in lieu of taxes	-	-	-	-
Revenue from use of money and property	163,208	-	85	163,293
Charges for services	422	-	-	422
Gain on sale of capital assets	-	-	-	-
Miscellaneous	99,994	-	-	99,994
Intergovernmental:				
Federal	224,827	-	-	244,827
State	126,316	-	-	126,316
Total revenues	<u>4,367,227</u>	<u>-</u>	<u>85</u>	<u>4,367,312</u>
<b>Expenditures:</b>				
Current:				
General government administration	563,711	-	-	563,711
Public safety	1,285,978	-	-	1,285,978
Public works	952,515	-	-	952,515
Community development	137,735	-	-	137,735
Non-departmental	56,160	-	-	56,160
Capital projects	863,819	-	-	863,819
Annexation expenses	-	-	-	-
Debt service:				
Principal retirement	61,589	-	-	61,589
Interest and finance charges	14,297	-	-	14,297
Total expenditures	<u>3,935,804</u>	<u>-</u>	<u>-</u>	<u>3,935,804</u>
Excess (loss) of revenues over expenditures	<u>431,423</u>	<u>-</u>	<u>85</u>	<u>431,508</u>
<b>Other financing sources and uses:</b>				
Proceeds from debt	114,400	-	-	114,400
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources and uses	<u>114,400</u>	<u>-</u>	<u>-</u>	<u>114,400</u>
Excess (loss) of revenues and other sources over expenditures and other uses	545,823	-	85	545,908
Fund balance, beginning	5,780,414	-	65,306	5,845,720
Fund balance, ending	<u>\$ 6,326,237</u>	<u>\$ -</u>	<u>\$ 65,391</u>	<u>\$ 6,391,628</u>

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

**Town of Hillsville, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
*For the Year Ended June 30, 2022*

Exhibit D  
Page 2

	<b>Total Governmental Activities</b>
Net change in fund balances – total governmental funds	\$ 545,908
Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:	
Governmental funds report the cost of equipment and facilities acquired as current expenditures while the governmental Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.	
Capital assets additions	1,030,341
Depreciation expense	(298,164)
Difference between accumulated depreciation and cost of disposed assets	-
Certain income receivables from the sale of assets are not due in the current period and therefore not reported as fund assets. All receivables are included in the statement of activities.	
	(6,000)
Debt proceeds provide current financial resources to governmental funds, but debt issues increase long – term liabilities in the Statement of Net Position. Principal repayments are expenditures in governmental funds, but reduce long – term liabilities in the Statement of Net Position.	
New debt issued	(114,400)
Principal payments	61,821
Interest accrued	(1,607)
Certain revenues in the government-wide statement of activities do not provide current financial resources and are not reported as revenue in the fund financial statements.	
General property taxes	1,115
Pension	(664,812)
Other postretirement benefit plans	(45,902)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in post-employment benefits	52,919
Change in compensated absences	2,522
Change in pension plan benefits	<u>671,036</u>
Change in net position of governmental activities	<u>\$ 1,234,777</u>

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

# Town of Hillsville, Virginia

Exhibit E

## Statement of Net Position

### Proprietary Funds

June 30, 2022

	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 591,101	\$ 74,404	\$ 665,505
Investments	140,661	140,661	281,322
Accounts receivable (net of allowance for uncollectibles)	77,391	77,854	155,245
Due from other funds	-	-	-
Accrued charges for services	43,807	41,542	85,349
Total current assets	<u>852,960</u>	<u>334,461</u>	<u>1,187,421</u>
Capital assets			
Buildings	8,067,249	11,422,526	19,489,775
Land	31,468	12,700	44,168
Machinery and equipment	189,811	346,862	536,673
Construction in progress	-	154,526	154,526
Total capital assets	<u>8,288,528</u>	<u>11,936,614</u>	<u>20,225,142</u>
Less accumulated depreciation	<u>(3,151,169)</u>	<u>(6,910,475)</u>	<u>(10,061,644)</u>
Net capital assets	<u>5,137,359</u>	<u>5,026,139</u>	<u>10,163,498</u>
Total assets	<u>5,990,319</u>	<u>5,360,600</u>	<u>11,350,919</u>
<b>Deferred Outflows of Resources</b>	<u>49,738</u>	<u>51,917</u>	<u>101,655</u>
<b>Liabilities</b>			
Liabilities:			
Current liabilities (payable from current assets):			
Accounts payable	10,730	15,373	26,103
Deposits	54,601	54,602	109,203
Due to other funds	29,828	29,828	59,656
Accrued bond interest	1,183	26,150	27,333
Current portion of bonds	<u>120,239</u>	<u>251,516</u>	<u>371,755</u>
Total current liabilities (payable from current assets)	<u>216,581</u>	<u>377,469</u>	<u>594,050</u>
Long-term liabilities:			
Bonds (net of current portion)	4,342,065	3,663,339	8,005,404
Compensated absences	30,758	24,213	54,971
Net pension liability	67,685	59,806	127,491
Other post-employment benefits obligation	<u>56,152</u>	<u>56,024</u>	<u>112,176</u>
Total long-term liabilities	<u>4,496,660</u>	<u>3,803,382</u>	<u>8,300,042</u>
Total liabilities	<u>4,713,241</u>	<u>4,180,851</u>	<u>8,894,092</u>
<b>Deferred Inflows of Resources</b>	<u>109,697</u>	<u>114,475</u>	<u>224,172</u>
<b>Net Position</b>			
Net Position:			
Invested in capital assets, net of related debt	675,055	1,111,284	1,786,339
Unrestricted	<u>542,064</u>	<u>5,907</u>	<u>547,971</u>
Total net position	<u>\$ 1,217,119</u>	<u>\$ 1,117,191</u>	<u>\$ 2,334,310</u>

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

# Town of Hillsville, Virginia

Exhibit F

## Statement of Revenues, Expenses and Changes in Fund Net Position

### Proprietary Funds

For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 756,024	\$ 978,756	\$ 1,734,780
Miscellaneous	262	3,089	3,351
Total operating revenues	<u>756,286</u>	<u>981,845</u>	<u>1,738,131</u>
<b>Operating expenses:</b>			
Personnel services	284,256	310,007	594,263
Fringe benefits	102,826	107,018	209,844
Contractual services	832	3,146	3,978
Payment in lieu of taxes	-	-	-
Depreciation and amortization	205,213	343,118	548,331
Other	153,624	199,082	352,706
Total operating expenses	<u>746,751</u>	<u>962,371</u>	<u>1,709,122</u>
Operating income	<u>9,535</u>	<u>19,474</u>	<u>29,009</u>
<b>Nonoperating revenues (expenses):</b>			
Connection fees	2,108	2,085	4,193
Interest	1,262	1,147	2,409
Gain (loss) on investment	(9,731)	(9,731)	(19,462)
Other nonoperating revenues	10,957	10,506	21,463
Interest and fiscal charges	(59,725)	(98,223)	(157,948)
Total nonoperating revenues (expenses)	<u>(55,129)</u>	<u>(94,216)</u>	<u>(149,345)</u>
Loss before contributions and transfers	(45,594)	(74,742)	(120,336)
Capital grants and contributions	6,002	118,750	124,752
Operating transfers in	452	(452)	-
Operating transfers out	-	-	-
Changes in net position	<u>(39,140)</u>	<u>43,556</u>	<u>4,416</u>
Net position, beginning	1,256,259	1,073,635	2,329,894
Net position, ending	<u>\$ 1,217,119</u>	<u>\$ 1,117,191</u>	<u>\$ 2,334,310</u>

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

# Town of Hillsville, Virginia

Exhibit G

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 762,768	\$ 987,576	\$ 1,750,344
Cash payments to suppliers for goods and services	(153,287)	(262,865)	(416,152)
Cash payments to employees for services	(393,150)	(421,089)	(814,239)
Payment in lieu of taxes	-	-	-
Net cash (used by) provided by operating activities	<u>216,331</u>	<u>303,622</u>	<u>519,953</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers from (to) other funds	452	129,548	130,000
Net cash provided (used) by noncapital financing activities	<u>452</u>	<u>129,548</u>	<u>130,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital grants	6,002	118,750	124,752
Acquisition, construction and disposal of capital assets	(6,002)	(184,154)	(190,156)
Issuance of bonds	-	-	-
Principal paid on bonds	(127,317)	(427,569)	(554,886)
Interest paid on bonds	(63,550)	(190,666)	(254,216)
Net cash provided by (used by) capital and related financing activities	<u>(190,867)</u>	<u>(683,639)</u>	<u>(874,506)</u>
<b>Cash flows from investing activities:</b>			
Cash payments to purchase investments	(182)	(182)	(364)
Interest on temporary investments	1,262	1,147	2,409
Net cash provided by investing activities	<u>1,080</u>	<u>965</u>	<u>2,045</u>
Net decrease in cash and cash equivalents	26,996	(249,504)	(222,508)
Cash and cash equivalents at beginning of year	564,105	323,908	888,013
Cash and cash equivalents at end of year	<u>\$ 591,101</u>	<u>\$ 74,404</u>	<u>\$ 665,505</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income	\$ 9,535	\$ 19,474	\$ 29,009
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	205,213	343,118	548,331
Receivables and accrued charges for services	(8,438)	(8,796)	(17,234)
Accounts payable and deferred revenue	1,169	(60,637)	(59,468)
Connection fees and other income	13,065	12,591	25,656
Other accrued expenses	(6,068)	(4,064)	(10,132)
Deposits	1,855	1,936	3,791
Total adjustments	<u>206,796</u>	<u>284,148</u>	<u>490,944</u>
Net cash provided by operating activities	<u>\$ 216,331</u>	<u>\$ 303,622</u>	<u>\$ 519,953</u>

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies

The basic financial statements of the Town of Hillsville, Virginia (the “Town”) have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments established by the Governmental Accounting Standards Board (“GASB”).

The following is a summary of the more significant policies:

#### A. The Financial Reporting Entity

For financial reporting purposes, in conformity with statements of GASB, the Town includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the Council. Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligation of the Town to finance any deficits that may occur, or receipt of significant subsidies from the Town. The Town has no component units as defined by GAAP. The Town also has no related organizations or jointly governed organizations.

GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).

#### 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies, continued

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

The *special revenue fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds consist of the CDBG Fund that has been established to account for revenues received and expenditures made under the Community Development Block Grant.

The Town reports the following major proprietary funds:

*Enterprise Funds* account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Enterprise Funds consist of the Water and Sewer Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies, continued

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Stewardship, Compliance and Accountability

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

1. Prior to March 30, the Town Manager submits to the 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.
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 department level or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager 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 and maintained on a basis consistent with GAAP. The original budget and budget revisions during the fiscal year are authorized at the departmental level by Town council.
7. Appropriations lapse on June 30 for all Town units.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies, continued

#### E. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash.

#### F. Receivable and Payables

Certain activity between the funds are representative of lending or borrowing arrangements outstanding at the end of the fiscal year. Such outstanding activity is referred to as “due to/from other funds” for the current portion and “advances to/from other funds” for the non-current portion. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

#### G. Investments

Certificates of deposits and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments in Alliance U.S. Government Bond Fund and Local Government Investment Pool are reported at market values.

#### H. Property, Plant, and Equipment

All purchased property, plant and equipment are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value at the date of donation.

Depreciation for property, plant and equipment is computed over the following useful lives using the straight-line method.

Buildings, improvements and land improvements	10-40 years
Vehicles	5 years
Equipment	5-10 years

Interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the current year.

#### I. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The Town bills and collects its own property taxes.

#### J. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standard’s No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive benefits. The Town accrues salary-related costs associated with the payment of compensated absences.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies, continued

#### K. Long-Term Obligation

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the life of the related bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors. Unrestricted net position consists of all other net position reported in this category.

#### M. Net Position Flow Assumption

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

#### N. Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town Council through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Town Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Town policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 1. Summary of Significant Accounting Policies, continued

#### O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net 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 components of the deferred outflows of resources and deferred inflows of resources at June 30, 2022 are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>Government</u>
<b>Deferred outflows of resources:</b>			
Pension activities	\$ 158,404	\$ 77,661	\$ 236,065
Group life insurance	6,078	2,974	9,052
Other post-employment benefits	<u>42,952</u>	<u>21,020</u>	<u>63,972</u>
Total deferred outflows of resources	<u>\$ 207,434</u>	<u>\$ 101,655</u>	<u>\$ 309,089</u>
<b>Deferred inflows of resources:</b>			
General property taxes	\$ 814,497	\$ -	\$ 814,497
Grant revenue	1,380,416	-	1,380,416
Pension activities	367,394	179,812	547,206
Group life insurance	11,772	5,761	17,533
Other post-employment benefits	<u>78,875</u>	<u>38,599</u>	<u>117,474</u>
Total deferred inflows of resources	<u>\$ 2,652,954</u>	<u>\$ 224,172</u>	<u>\$ 2,877,126</u>

#### P. Pensions

The Virginia Retirement System (“VRS”) Political Subdivision Retirement Plan is a multi-employer agent plan. 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 Plan’s net fiduciary position have been determined on the same basis as they were reported by the 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.

#### Q. Group Life Insurance

The VRS Group Life (“GLI”) Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program Other Post-Employment Benefit (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB’s net fiduciary position have been determined on the same basis as they were reported by the VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 1. Summary of Significant Accounting Policies, continued

#### R. Recently Adopted Accounting Standards

The following pronouncements have been issued, and are in effective as of June 30, 2022:

GASB Statement No. 87, "Leases," was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. and to increase the usefulness of governments' financial statements. The Statement will be effective January 1, 2023.

The following pronouncements have been issued, but are not effective as of June 30, 2022:

GASB Statement No. 91, "Conduit Debt Obligations," was issued May 2019, and establishes accounting requirements for conduit debt obligations by issuers. The Statement will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 96, "Subscription Based Information Technology Arrangements," was issued in May 2020 to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The Statement will be effective July 1, 2023.

GASB Statement No. 99, "Omnibus 2022," was issued April 2022 to address the issues described below.

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge, effective for fiscal years beginning after June 15, 2023.
- Guidance clarification for short-term leases when there is a modification of terms, effective for fiscal years beginning after June 15, 2022.
- Considerations for public-private partnership (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets, effective for fiscal years beginning after June 15, 2022.
- Disclosures related to nonmonetary transactions, effective upon issuance.
- Certain provisions of Statement 34, effective upon issuance.
- Pledges of future revenues when resources are not received by the pledging government, effective upon issuance.
- Terminology updates related to deferred inflows and outflows of resources and net position, effective upon issuance.
- Resource flows statements terminology related to Statement 53, effective for fiscal years beginning after June 15, 2023.
- Accounting for SNAP distributions, effective upon issuance.
- Requirements related to the extension of the use of LIBOR, effective upon issuance.

GASB Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62," was issued June 2022 to provide consistent application of accounting changes and error corrections and related accounting and financial reporting requirements. The statement will be effective for the fiscal years ending June 30, 2024.

GASB Statement No. 101, "Compensated Absences," was issued June 2022 to align recognition and measurement guidance for all types of compensated absences under a unified model. The statement will be effective for the fiscal years ending June 30, 2025.

#### S. Use of Estimates

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

#### T. Subsequent Events

These financial statements have not been updated for subsequent events occurring after January 27, 2023, which is the date the financial statements were available to be issued.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 2. Deposits and Investments

Deposits: At year-end the carrying value of the Town's deposits with banks and savings institutions was \$8,187,959 and the bank balance was \$8,360,015. All of the bank balance was covered by Federal depository insurance or collateral held under the provisions of the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC Bank Insurance Fund must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC Savings Association Insurance Fund limits. The State Treasury board is responsible for monitoring compliance with the collateralization and reporting requirements for the Act and for notifying local governments of compliance by banks and savings and loans.

Investments: Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

	<u>Fair Quality Ratings</u>		<u>Fair Value</u>
	<u>AAAm</u>	<u>Unrated</u>	
Alliance U.S. Government Bond Fund	\$ -	\$ 140,248	\$ 140,248
Investment in Local Government			
Investment Pool (LGIP)	<u>308,966</u>	<u>-</u>	<u>308,966</u>
Total	<u>\$ 308,966</u>	<u>\$ 140,248</u>	<u>\$ 449,214</u>

*Concentration of Credit Risk:* The Town's investments in the Alliance Bond Fund and the LGIP represented 31.2% and 68.8%, respectively, of the portfolio at June 30, 2022.

### 3. Note Receivable

On January 14, 2019, the Town issued a note receivable in the amount of \$25,000. The Town will receive annual payments of principal of \$4,167 over six years. At June 30, 2022, the note receivable balance was paid in full.

### 4. Allowance for Uncollectible Accounts

The Town of Hillsville calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2022 is composed of the following:

General Fund, Allowance for Uncollectible Taxes	\$ 26,629
Water and Sewer Funds, Allowance for Uncollectible Accounts	<u>32,244</u>
	<u>\$ 58,873</u>

### 5. Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2022 are summarized as follows:

Carroll County, Virginia	
Court fines and forfeitures	<u>\$ 31,380</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 6. Capital Assets

A summary of changes in capital assets follows:

#### Governmental Activities

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2022</u>
Land (not depreciated)	\$ 100,248	\$ -	\$ -	\$ 100,248
Land improvements	802,700	24,275	-	826,975
Buildings and improvements	1,078,945	136,535	-	1,215,480
Equipment	2,453,020	245,321	-	2,698,341
Construction in progress	212,053	716,335	(92,125)	836,263
Total	4,646,966	1,122,466	-	5,677,307
Less accumulated depreciation	(2,797,103)	(298,164)	-	(3,095,267)
Government activities capital assets, net	<u>\$ 1,849,863</u>	<u>\$ 824,302</u>	<u>\$ (92,125)</u>	<u>\$ 2,582,040</u>

#### Business-type Activities

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2022</u>
Water Fund:				
Land (not depreciated)	\$ 31,468	\$ -	\$ -	\$ 31,468
Buildings and improvements	8,067,249	-	-	8,067,249
Vehicles	99,187	-	(16,050)	83,137
Equipment	100,672	6,002	-	106,674
Construction in progress	-	-	-	-
Total	8,298,576	6,002	(16,050)	8,288,528
Less accumulated depreciation	(2,962,006)	(205,213)	16,050	(3,151,169)
Water Fund capital assets, net	<u>\$ 5,336,570</u>	<u>\$ (199,211)</u>	<u>\$ -</u>	<u>\$ 5,137,359</u>
Sewer Fund:				
Land (not depreciated)	\$ 12,700	\$ -	\$ -	\$ 12,700
Buildings and improvements	11,322,526	100,000	-	11,422,526
Vehicles	102,478	-	(14,000)	88,478
Equipment	245,269	13,115	-	258,384
Construction in progress	83,487	116,039	(45,000)	154,526
Total	11,766,460	184,154	(59,000)	11,936,614
Less accumulated depreciation	(6,581,357)	(343,118)	14,000	(6,910,475)
Sewer Fund capital assets, net	<u>\$ 5,185,103</u>	<u>\$ (158,964)</u>	<u>\$ (45,000)</u>	<u>\$ 5,026,139</u>

Depreciation expense was charged to functions/programs as follows:

#### Governmental Activities

General government	\$ 46,972
Public safety	122,028
Public works	84,040
Community development	45,124
	<u>\$ 298,164</u>

#### Business-type Activities

Water	\$ 205,213
Sewer	343,118
	<u>\$ 548,331</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits

#### VRS Retirement Plan

##### A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer 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
<b>Summary</b>	Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	Same as plan 1.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Retirement Contributions</b>	Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.	Same as Plan 1.	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.
<b>Service Credit</b>	Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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.	Same as Plan 1.	<b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit 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 service credit 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.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Service Credit, continued</b>			<b><u>Defined Contribution Component:</u></b> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
<b>Vesting</b>	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 service credit. 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.  Members are always 100% vested in the contributions that they make.	Same as Plan 1.	<b><u>Defined Benefit Component:</u></b> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting, continued			<p><b><u>Defined Contribution Component:</u></b>            Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distributions are not required, except as governed by law.</p>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Calculating the Benefit</b>	<p>The basic benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	See definition under Plan 1.	<p><b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> 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>
<b>Average Final Compensation</b>	A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Service Retirement Multiplier</b>	<p><b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members that 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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>            Not applicable.</p>
<b>Normal Retirement Age</b>	<p><b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>            Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Earliest Unreduced Retirement Eligibility</b>	<p><b>VRS:</b> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>            Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<b>Earliest Reduced Retirement Eligibility</b>	<p><b>VRS:</b> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 50 with at least five years of service credit.</p>	<p><b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>            Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<b>Cost-of-Living Adjustment (COLA) in Retirement</b>	<p>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>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><b><u>Defined Benefit Component:</u></b>            Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>            Not applicable.</p>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Cost-of-Living Adjustment (COLA) in Retirement, continued</b>	<ul style="list-style-type: none"> <li>The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<b>Disability Coverage</b>	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	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>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>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### A. Plan Description, continued

	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Purchase of Prior Service</b>	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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	<p><b><u>Defined Benefit Component:</u></b> Same as Plan 1 with the following exceptions:</p> <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

##### B. Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number of Employees</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>36</u>
Inactive members:	
Vested	7
Non-vested	6
Non-vested	-
Active elsewhere in the VRS	<u>25</u>
Total inactive members	<u>38</u>
Active members	<u>42</u>
<b>Total covered employees</b>	<u><u>116</u></u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 7. Benefits, continued

#### *VRS Retirement Plan, continued*

##### C. 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% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2022 was 13.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$236,065 and \$233,118 for the years ended June 30, 2022 and 2021, respectively.

##### D. Net Pension Liability

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's NPL was measured as of June 30, 2021. The total pension liability used to calculate the NPL was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

##### E. 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, 2020, 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, 2021.

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

###### Mortality rates:

Non-Hazardous Duty: 15% of deaths are assumed to be service related

###### Pre-Retirement:

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

###### Post-Retirement:

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### *VRS Retirement Plan, continued*

##### E. Actuarial Assumptions, continued

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

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

###### Mortality Improvement:

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

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

##### Non-Hazardous Duty:

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

##### *Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety Employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### E. Actuarial Assumptions, continued

###### Mortality rates:

Hazardous Duty: 45% of deaths are assumed to be service related

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

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

###### Mortality Improvement:

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

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

###### Hazardous Duty:

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

##### F. Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP – Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

\* The above allocation provides a one-year term of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

##### G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Retirement Plan, continued

#### H. Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balances at June 30, 2020	\$ 8,006,895	\$ 6,384,919	\$ 1,621,976
Changes for the year:			
Service cost	193,951	-	193,951
Interest	526,749	-	526,749
Changes of assumptions	336,962	-	336,962
Differences between expected and actual experience	(12,429)	-	(12,429)
Contributions – employer	-	218,901	(218,901)
Contributions – employee	-	76,823	(76,823)
Net investment income	-	1,745,824	(1,745,824)
Benefit payments, including refunds of employee contributions	(406,412)	(406,412)	-
Administrative expense	-	(4,337)	4,337
Other changes	-	166	(166)
Net changes	<u>638,821</u>	<u>1,630,965</u>	<u>(992,144)</u>
Balances at June 30, 2021	<u>\$ 8,645,716</u>	<u>\$ 8,015,884</u>	<u>\$ 629,832</u>

#### I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net Pension Liability	\$ 1,792,648	\$ 629,832	\$ (320,480)

#### J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Town recognized pension expense of \$208,511. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (68,749)
Changes of assumptions	-	(252,567)
Net difference between projected and actual earnings on plan investments	-	868,522
Employer contributions subsequent to the Measurement Date*	<u>236,065</u>	<u>-</u>
Total	<u>\$ 236,065</u>	<u>\$ 547,206</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 7. Benefits, continued

#### *VRS Retirement Plan, continued*

#### J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

\* \$236,065 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$	(14,806)
2024		(77,600)
2025		(191,056)
2026		(263,744)
2027		-
Thereafter		-

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Comprehensive Annual Financial Report (CAFR). A copy of the 2021 VRS CAFR may be downloaded from the VRS website at [www.varetire.org/pdf/publications/2021-annual-report.pdf](http://www.varetire.org/pdf/publications/2021-annual-report.pdf) or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### *VRS Group Life Insurance Plan*

#### A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Group Life Insurance Plan, continued

##### A. Plan Description, continued

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b> The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b> The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"><li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li><li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in Benefit Amounts</b> The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b> For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is adjusted annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjustment for the COLA was \$8,722 as of June 30, 2022.</p>

##### B. Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the Town was \$9,052 and \$8,921 for the years ended June 30, 2022 and June 30, 2021, respectively.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### *VRS Group Life Insurance Plan, continued*

#### C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Group Life Insurance Program OPEB

At June 30, 2022, the Town reported a liability of \$93,142 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Town's proportion of the Net GLI OPEB liability was based on the Town's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. The Town's proportion was 0.01% for both June 30, 2022 and 2021.

For the year ended June 30, 2022, the Town recognized GLI OPEB expense of \$4,077. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Investment experience	\$ -	\$ 23,231
Differences between expected and actual experience	-	(9,913)
Changes of assumptions	-	7,609
Change in proportion	-	(2,394)
Employer contributions subsequent to the Measurement Date*	<u>9,052</u>	<u>-</u>
Total	<u>\$ 9,052</u>	<u>\$ 17,533</u>

\*\$9,052 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the Fiscal Year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

2023	\$ 4,328
2024	3,294
2025	3,248
2026	6,082
2027	581
Thereafter	-

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Group Life Insurance Plan, continued

##### D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

##### Mortality rates:

###### General Employees:

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

###### Mortality Improvement:

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

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

##### General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### *VRS Group Life Insurance Plan, continued*

##### D. Actuarial Assumptions, continued

###### Mortality rates:

###### Hazardous Duty:

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

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

###### Mortality Improvement:

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

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

###### Hazardous Duty:

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### VRS Group Life Insurance Plan, continued

##### E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	(2,413,074)
Net GLI OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	67.45%

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

##### F. Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP – Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### *VRS Group Life Insurance Plan, continued*

##### G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the employer for the Town's GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

##### H. Sensitivity of the Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Town's proportionate share of the Group Life Insurance Program Net OPEB liability	\$ <u>136,083</u>	\$ <u>93,142</u>	\$ <u>58,464</u>

##### I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Comprehensive Annual Financial Report (CAFR). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [www.varetire.org/pdf/publications/2021-annual-report.pdf](http://www.varetire.org/pdf/publications/2021-annual-report.pdf) or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

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### 7. Benefits, continued

#### *Other Post-Employment Benefits*

##### A. Plan Description

The Town provides post-employment benefits for retirees that meet certain criteria. These benefits include medical, dental, and vision coverage. Participants must meet one of the following criteria to be eligible for health benefits upon retirement: (i) attain age 50 with at least 10 years of service with the Town, or (ii) attain age 55 with at least 5 years of service with the Town.

In addition, employees must meet one of the following requirements to be eligible for retirement through Virginia Retirement System.

##### *General Employees Plan 1: Members vested as of January 1, 2013:*

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

##### *General Employees Plan 2 and Hybrid Plan: Members not vested as of January 1, 2013 and members hired on or after July 1, 2010 (Plan 2) and members hired on or after January 1, 2014 or by member election (Hybrid Plan):*

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

##### *Public Safety Employees: Members hired prior to January 1, 2014 (Plan 1) and members hired on or after January 1, 2014 (Plan 2). (No hybrid plan)*

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 55 with at least 25 years of service with VRS for an unreduced pension benefit.

Retirees may elect to cover a spouse and dependents. Health benefits are offered for the lifetime of the retiree. If the retiree predeceases the spouse, the spouse may continue their coverage until the earlier of death, remarriage, or the obtainment of health coverage not offered by the Town. If the retiree predeceases his or her dependents, then the dependents may continue medical coverage until the earlier of death, attainment of age 26, marriage, ability to be self-supportive, obtaining health coverage not offered by the Town, or loss of eligibility of surviving spouse if covered under surviving spouse.

##### B. Contributions

The retiree and spouse pay 100% of the premium cost for both retiree and spouse/dependent coverage. The Town has no contribution requirement.

##### C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Town reported a liability of \$368,004 for its OPEB liability. The OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### *Other Post-Employment Benefits, continued*

#### C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

For the year ended June 30, 2022, the Town recognized OPEB expense of \$30,814.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (80,160)	\$ 9,672
Changes in assumptions	(37,314)	54,300
Total	<u>\$ (117,474)</u>	<u>\$ 63,672</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

2023	\$ (3,233)
2024	(2,387)
2025	(1,543)
2026	(7,904)
2027	(18,932)
Thereafter	(19,503)

#### D. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	7/1/2020
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	30 years (open)
Actuarial assumptions:	
Inflation	2.50%
Salary increases, including inflation	
General employees	3.50% - 5.35%
Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	3.5% annual returns net of both investment and non-actuarial administrative expenses
Medical cost trend assumption	6.10% to 4.00% over 55 years
Payroll growth	3.0% per year

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 7. Benefits, continued

#### Other Post-Employment Benefits, continued

##### E. Changes in OPEB Liability

	<b>Increase or (Decrease)</b>
Balance at June 30, 2021	\$ 410,566
Changes for the year:	
Service cost	25,026
Interest	9,021
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(40,482)
Benefit payments	(36,127)
Net changes	<u>(42,562)</u>
Balance at June 30, 2022	<u>\$ 368,004</u>

##### F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate is based on the Bond Buyer 20-Year Bond GO Index as of the measurement date.

##### G. Sensitivity of the OPEB Liability to Changes in the Discount and Healthcare Trend Rates

The following presents the Town's OPEB liability calculated using the discount rate of 3.54%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	<b>1% Decrease (2.54%)</b>	<b>Current Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
OPEB liability	\$ 396,928	\$ 368,004	\$ 341,294

The following presents the Town's OPEB liability calculated using the current healthcare trend rates as well as what the OPEB liability would be if it were calculated using the healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<b>1% Decrease in Trend Rate</b>	<b>Current Trend Rate</b>	<b>1% Increase in Trend Rate</b>
OPEB liability	\$ 326,046	\$ 368,004	\$ 417,401

### 8. Compensated Absences

Each Town employee earns vacation leave based on years of service up to 20 days per year after 15 years of service and sick leave at the rate of one day per month. No benefits or pay are received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Town has outstanding accrued vacation pay totaling \$122,403 in Governmental Activities and \$54,971 in Business-type Activities at June 30, 2022.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 9. Lease Obligations (Capital and Operating)

The Town periodically leases various types of equipment under capital and operating agreements. At June 30, 2022, there were no capital leases outstanding.

### 10. Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2022:

	<u>Amounts payable at July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts payable at June 30, 2022</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
Notes from direct borrowings and direct placements	\$ 311,924	\$ -	\$ (25,273)	\$ 286,651	\$ 39,351
General obligation bonds	<u>168,989</u>	<u>114,400</u>	<u>(36,548)</u>	<u>246,841</u>	<u>36,330</u>
	<u>\$ 480,913</u>	<u>\$ 114,400</u>	<u>\$ (61,821)</u>	<u>\$ 533,492</u>	<u>\$ 75,681</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 8,292,925	\$ 4,450,579	\$ (3,811,459)	\$ 8,377,159	\$ 371,755
Revenue bonds	-	-	-	-	-
	<u>\$ 8,292,925</u>	<u>\$ 4,450,579</u>	<u>\$ (3,811,459)</u>	<u>\$ 8,377,159</u>	<u>\$ 371,755</u>

The Town's outstanding notes from direct borrowings and direct placements related to governmental activities contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

At June 30, 2022, the Town had one direct borrowing note that was secured by a fire truck. The Town has no outstanding lines of credit.

Contractual maturities for long-term debt are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Notes Payable and Bonds		Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 75,681	\$ 13,484	\$ 371,755	\$ 147,791
2024	58,216	11,692	378,137	141,409
2025	59,847	10,061	385,523	134,023
2026	61,536	8,371	392,940	126,606
2027	62,421	6,643	400,534	119,012
2028-2032	215,791	13,217	2,367,081	444,453
2033-2037	-	-	1,545,840	239,872
2038-2042	-	-	558,185	168,169
2043-2047	-	-	488,656	132,397
2048-2052	-	-	527,212	93,840
2053-2057	-	-	568,920	52,132
2058-2062	-	-	<u>392,376</u>	<u>10,002</u>
Total	<u>\$ 533,492</u>	<u>\$ 63,468</u>	<u>\$ 8,377,159</u>	<u>\$ 1,809,706</u>

### 11. Accrued Charges for Services

The Town has adopted a bi-monthly billing cycle for most of its water and sewer customers. As a result, most customers have received services for as many as one and one-half months for which they had not been billed. These revenues are subject to accrual, and the asset represents an estimate of such charges based on subsequent bi-monthly billings. This amount is included in proprietary fund operating revenues. At June 30, 2022, Water and Sewer Fund accrued charges for services are \$43,807 and \$41,542, respectively.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2022

### 12. Deferred Revenue

Deferred revenue represents a measurable inflow of resources that will be available in a future reporting period. Deferred revenue totaling \$2,217,750 at June 30, 2022 is comprised of the following:

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$832,720.

Prepaid Property Taxes

Property taxes due subsequent to the current tax levy but paid in advance by taxpayers totaled \$4,614.

Deferred Grant Revenue

Deferred revenue from grants to be expended in future periods totaled \$1,380,416.

### 13. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amount, if any, to be immaterial.

At June 30, 2022, the Town was involved in various litigation arising out of the normal course of operations, however, in the opinion of management, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

### 14. Surety Bond Information

Fidelity and Deposit Company of Maryland:

Treasurer	\$	100,000
All Town employees - blanket bond	\$	100,000

### 15. Risk of Loss

The Town is subject to risk of loss from the following events:

- Torts
- Theft of, damage to, or destruction of assets
- Job-related employee illness or injuries
- Business interruption
- Errors or omissions
- Acts of God

The risk of these losses is managed by the purchase of commercial insurance. There have been no significant reductions in coverage over the past year and settlements have not exceeded insurance coverage in any of the past three years.

### 16. Subsequent Events

In fiscal year 2021, the Town received \$1.4 million from the American Rescue Plan. These funds will be expended in the upcoming fiscal year in accordance with plan requirements.

The Town purchased a building on August 30, 2022, for \$145,000. Subsequent to restoration, the Town intends to use the building for community activities.

Variance

# Town of Hillsville, Virginia

Schedule 1

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Page 1

### Governmental Funds

For the Year Ended June 30, 2022

	Budget		Actual	Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Primary government:				
General fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 473,115	\$ 473,115	\$ 445,419	\$ (27,696)
Real and personal public service corporation property taxes	20,500	29,300	30,002	702
Personal property taxes	178,588	211,002	215,608	4,606
Machinery and tools taxes	100,000	110,949	110,495	(454)
DMV stop	-	1,325	1,400	75
Penalties and interest	2,500	2,500	8,961	6,461
Bad debt expense	-	-	-	-
Total general property taxes	<u>774,703</u>	<u>828,191</u>	<u>811,885</u>	<u>(16,306)</u>
Other local taxes:				
Local sales and use taxes	135,000	135,000	244,685	109,685
Consumers utility taxes	94,000	92,200	95,559	3,359
Business license taxes and vendor taxes	230,000	230,000	305,453	75,453
Franchise license taxes	15,000	15,000	13,128	(1,872)
Motor vehicle licenses	40,250	40,250	48,408	8,158
Bank stock taxes	120,000	120,000	228,019	108,019
Hotel and motel room taxes	240,000	240,000	356,643	116,643
Restaurant food taxes	935,000	1,093,186	1,196,334	103,148
Gaming tax	-	-	2,592	2,592
Farmers market vendor fees	250	250	1,785	1,535
Total other local taxes	<u>1,809,500</u>	<u>1,965,886</u>	<u>2,492,606</u>	<u>526,720</u>
Permits, privilege fees, and regulatory licenses	<u>1,000</u>	<u>1,000</u>	<u>4,810</u>	<u>3,810</u>
Fines and forfeitures	<u>248,450</u>	<u>432,364</u>	<u>443,159</u>	<u>10,795</u>
Payment in lieu of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue from use of money and property:				
Revenue from use of money	55,000	45,000	82,956	37,956
Revenue from use of property	<u>28,300</u>	<u>23,500</u>	<u>37,172</u>	<u>13,672</u>
Total revenue from use of money and property	<u>83,300</u>	<u>68,500</u>	<u>120,128</u>	<u>51,628</u>
Charges for services:				
Charges for sanitation and waste removal	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous	<u>10,000</u>	<u>10,881</u>	<u>29,977</u>	<u>19,096</u>
Total revenue from local sources	<u>2,927,853</u>	<u>2,987,218</u>	<u>3,622,670</u>	<u>635,452</u>
Revenue from the Federal Government:				
Byrne Justice Assistance grant	-	1,000	1,000	-
Community facilities grant	-	-	50,000	50,000
Farmer market and local food promotion program	237,500	152,532	152,533	1
Highway safety grants	8,000	19,544	19,544	-
Local government challenge grant	<u>1,750</u>	<u>1,750</u>	<u>1,750</u>	<u>-</u>
Total revenue from the Federal Government	<u>247,250</u>	<u>174,826</u>	<u>224,827</u>	<u>50,001</u>

# Town of Hillsville, Virginia

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Governmental Funds

For the Year Ended June 30, 2022

Schedule 1

Page 2

Revenues	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue from the Commonwealth:				
Noncategorical aid:				
Aid to localities with police department	\$ 65,000	\$ 72,618	\$ 72,618	\$ -
Total noncategorical aid	65,000	72,618	72,618	-
Categorical aid:				
Community development	-	34,165	36,115	1,950
Farmers Market Fresh Match	-	558	601	43
Fire prevention	9,000	15,000	15,000	-
Litter control	1,200	1,200	1,982	782
Other	-	-	-	-
Total categorical aid	10,200	50,923	53,698	2,775
Total revenue from the Commonwealth	75,200	123,541	126,316	2,775
Total general fund	3,250,303	3,700,248	4,367,227	666,979
Special revenue funds:				
CDBG Fund				
Revenue from local sources:				
Revenue from use of property	-	-	85	85
Total revenue CDBG Fund	-	-	85	85
Total revenues	3,250,303	3,700,248	4,367,312	667,979
<b>Expenditures</b>				
Primary government:				
General fund:				
General governmental administration:				
Legislative:				
Town council	64,043	64,043	55,609	8,434
Total legislative	64,043	64,043	55,609	8,434
General and financial administration:				
Clerk of council	1,565	1,565	173	1,392
Administration	440,345	443,011	435,888	7,123
Legal services	21,430	21,430	19,753	1,677
Independent auditor	21,000	15,900	16,478	(578)
Treasurer	2,250	2,250	1,628	622
Accounting	8,300	8,527	8,634	(107)
Elections	9,600	9,600	-	9,600
Risk management	9,178	9,178	9,178	-
Data processing	20,300	21,750	16,370	5,380
Total general and financial administration	533,968	533,211	508,102	25,109
Total general government administration	598,011	597,254	563,711	33,543
Public safety:				
Law enforcement and traffic control:				
Police department	1,045,330	1,180,503	1,197,898	(17,395)
Fire and rescue services:				
Fire department	1,078	1,078	1,078	-
Building inspections	89,002	89,027	87,002	2,025
Total public safety	1,135,410	1,270,608	1,285,978	(15,370)

# Town of Hillsville, Virginia

Schedule 2

## Schedule of Changes in Net Pension Liability and Related Ratios

Last Eight Years<sup>1</sup>

Expenditures	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 454,795	\$ 436,570	\$ 393,323	\$ 43,247
Highway, street, bridge and sidewalk maintenance	35,600	35,600	30,977	4,623
Street lights	38,000	38,000	34,943	3,057
Total maintenance of highways, streets, bridges and sidewalks	528,395	510,170	459,243	50,927
Sanitation and waste removal:				
Refuse disposal	444,815	486,596	473,310	13,286
Maintenance of buildings and grounds:				
General properties	25,000	25,000	19,962	5,038
Total public works	998,210	1,021,766	952,515	69,251
Primary government:				
General fund:				
Community development:				
Planning and community development:				
Community development	98,000	123,905	114,418	9,487
Economic development	6,500	7,100	6,640	460
Farmers market	22,835	24,084	16,677	7,407
Total community development	127,335	155,089	137,735	17,354
Non-departmental	12,500	12,500	56,160	(43,660)
Capital projects	569,500	597,555	863,819	(266,264)
Annexation expenses	-	-	-	-
Debt service:				
Principal retirement	61,597	61,597	61,589	8
Interest and fiscal charges	14,228	14,228	14,297	(69)
Total debt service	75,825	75,825	75,886	(61)
Total general fund	3,516,791	3,730,597	3,935,804	(205,207)
Special revenue funds:				
CDBG fund:				
Community development	-	-	-	-
Total expenditures	3,516,791	3,730,597	3,935,804	(205,207)
Excess revenues over expenditures	(266,488)	(30,340)	431,508	461,857
<b>Other financing sources and uses</b>				
Proceeds from debt	-	-	114,400	114,400
Operating transfers in	-	-	-	-
Operating transfers out	(297,688)	(297,688)	-	297,688
Carryover balances	564,176	328,037	-	(328,037)
Total other financing sources and uses	266,488	30,340	114,400	84,051
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	545,908	\$ 545,908
Fund balance, beginning			5,845,720	
Fund balance, ending			\$ 6,391,628	

# Town of Hillsville, Virginia

Schedule 2

## Schedule of Changes in Net Pension Liability and Related Ratios

Last Eight Years<sup>1</sup>

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service cost	\$ 193,951	\$ 197,030	\$ 185,776	\$ 180,269	\$ 169,502	\$ 166,982	\$ 160,994	\$ 165,156
Interest	526,749	493,990	477,382	454,058	437,003	421,845	407,404	386,331
Changes of assumptions	336,962	-	223,552	-	(51,264)	-	-	-
Differences between expected and actual experience	(12,429)	196,935	3,069	95,792	38,880	(104,689)	(89,216)	-
Contributions – employer	-	-	-	-	-	-	-	-
Contributions – employee	-	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(406,412)	(395,336)	(383,445)	(410,352)	(290,604)	(244,587)	(301,198)	(199,669)
Refund of contribution	-	(3,539)	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Net change	638,821	489,080	506,335	319,767	303,517	239,551	177,984	351,818
Total pension liability, beginning	8,006,895	7,517,815	7,011,480	6,691,713	6,388,196	6,148,645	5,970,661	5,618,843
Total pension liability, ending	<u>\$ 8,645,716</u>	<u>\$ 8,006,895</u>	<u>\$ 7,517,815</u>	<u>\$ 7,011,480</u>	<u>\$ 6,691,713</u>	<u>\$ 6,388,196</u>	<u>\$ 6,148,645</u>	<u>\$ 5,970,661</u>
<b>Plan Fiduciary Net Position</b>								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-
Contributions – employer	218,901	178,083	169,557	149,557	145,779	176,973	168,941	183,712
Contributions – employee	76,823	74,489	70,355	71,478	73,074	66,763	64,046	66,294
Net investment income	1,745,824	121,787	406,820	431,037	650,616	92,953	230,241	694,350
Benefit payments, including refunds of employee contributions	(406,412)	(395,336)	(383,445)	(410,352)	(290,604)	(244,587)	(301,198)	(199,669)
Refund of contribution	-	(3,539)	-	-	-	-	-	-
Administrative expense	(4,337)	(4,215)	(4,076)	(3,802)	(3,758)	(3,244)	(3,181)	(3,663)
Other changes	166	(143)	(251)	(385)	(580)	(37)	(49)	36
Net change	1,630,965	(28,874)	258,960	237,533	574,527	88,821	158,800	741,060
Plan fiduciary net position, beginning	6,384,919	6,413,793	6,154,833	5,917,300	5,342,773	5,253,952	5,095,152	4,354,092
Plan fiduciary position, ending	<u>\$ 8,015,884</u>	<u>\$ 6,384,919</u>	<u>\$ 6,413,793</u>	<u>\$ 6,154,833</u>	<u>\$ 5,917,300</u>	<u>\$ 5,342,773</u>	<u>\$ 5,253,952</u>	<u>\$ 5,095,152</u>
<b>Net Pension Liability</b>	<u>\$ 629,832</u>	<u>\$ 1,621,976</u>	<u>\$ 1,104,022</u>	<u>\$ 856,647</u>	<u>\$ 774,413</u>	<u>\$ 1,045,423</u>	<u>\$ 894,693</u>	<u>\$ 875,509</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	92.72%	79.74%	85.31%	87.78%	88.43%	83.64%	85.45%	85.34%
<b>Covered-employee Payroll</b>	\$ 1,676,163	\$ 1,660,676	\$ 1,578,765	\$ 1,471,417	\$ 1,458,625	\$ 1,423,882	\$ 1,381,354	\$ 1,305,996
<b>Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	37.58%	97.67%	69.93%	58.22%	53.09%	73.42%	64.77%	67.04%

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 68.

# Town of Hillsville, Virginia

Schedule 3

## Schedule of Employer Pension Contributions

June 30, 2022

Fiscal Year <sup>2</sup>	Recommended Contribution Rate <i>(Information Only)</i>	Contractually Required Contribution <u>(1)</u>	Contributions in Relation to Contractually Required Contribution <u>(2)</u>	Contribution Deficiency (Excess) <u>(1) – (2)</u>	Employer's Covered Employee Payroll <u>(4)</u>	Contributions as a % of Covered Employee Payroll <u>(5)</u>
2014	13.84%	\$ 180,750	\$ 176,200	\$ 4,550	\$ 1,305,996	13.49%
2015	13.03	179,990	151,938	28,052	1,381,354	11.00
2017	11.79	167,876	180,076	(12,200)	1,423,882	12.65
2018	10.52	153,447	151,824	1,623	1,458,625	10.41
2019	11.97	176,129	157,469	18,660	1,471,417	10.70
2020	11.97	188,978	177,871	11,107	1,578,765	11.27
2021	13.27	220,372	190,620	29,752	1,660,676	11.48
2022	13.27	222,427	233,118	(10,691)	1,676,163	13.91

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 68.

<sup>2</sup> Date of actuarial valuation.

### Notes to Required Supplementary Information - Pension

For the Year Ended June 30, 2022

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

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

#### Non-Hazardous Duty Employees:

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

#### Hazardous Duty Employees:

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

# Town of Hillsville, Virginia

## Schedule 4

### Schedule of Employer's Share of Net Group Life Insurance Liability Last Five Years\*

	Fiscal Year				
	2022	2021	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00800%	0.00774%	0.00760%	0.00787%	0.00783%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 93,142	\$ 129,168	\$ 124,163	\$ 119,491	\$ 117,491
Covered-employee Payroll	\$ 1,676,163	\$ 1,652,151	\$ 1,592,488	\$ 1,489,508	\$ 1,496,002
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.56%	7.82%	7.80%	8.02%	7.85%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 75.

# Town of Hillsville, Virginia

Schedule 5

## Schedule of Group Life Insurance Employer Contributions Last Five Years<sup>1</sup>

Fiscal Year <sup>2</sup>	Recommended Contribution Rate <i>(Information Only)</i>	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (1) – (2)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2018	0.52%	\$ 7,779	\$ 7,779	\$ -	\$ 1,496,002	0.52%
2019	0.52	7,746	7,746	-	1,489,508	0.52
2020	0.52	8,281	8,281	-	1,592,488	0.52
2021	0.54	8,922	8,921	-	1,652,151	0.54
2022	0.54	9,052	9,052	-	1,676,163	0.54

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 75.

<sup>2</sup> Date of actuarial valuation.

### Notes to Required Supplementary Information – Group Life Insurance For the Year Ended June 30, 2022

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

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

General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Hazardous Duty Employees:

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

# Town of Hillsville, Virginia

Schedule 6

## Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios Last Five Years<sup>1</sup>

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Other Post-Employment Benefit Liability</b>					
Service cost	\$ 25,026	\$ 24,070	\$ 23,308	\$ 18,599	\$ 20,589
Interest	9,021	11,489	16,450	15,205	12,975
Changes of plan changes	-	-	-	-	-
Effect of economic/demographic gains (losses)	-	(106,880)	-	20,420	-
Effect of assumption changes or inputs	(40,482)	1,036	39,678	66,731	(10,984)
Benefit payments	(36,127)	(29,755)	(30,810)	(25,458)	(12,335)
Net change	(42,562)	(100,040)	48,626	95,497	10,245
Total other post-employment liability, beginning	410,566	510,606	461,980	366,483	356,238
Total other post-employment liability, ending	<u>\$ 368,004</u>	<u>\$ 410,566</u>	<u>\$ 510,606</u>	<u>\$ 461,980</u>	<u>\$ 366,483</u>
<b>Covered-employee Payroll</b>	\$ 1,674,566	\$ 1,674,566	\$ 1,541,571	\$ 1,541,571	\$ 1,450,100
<b>Net Other Post-Benefit Liability as a Percentage of Covered-Employee Payroll</b>	21.98%	24.52%	33.12%	29.97%	25.27%

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 75.

# Town of Hillsville, Virginia

Schedule 7

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental Activities</b>										
Net position, beginning	\$ 6,001,663	\$ 5,145,711	\$ 4,852,325	\$ 4,197,442	\$ 3,326,922	\$ 2,705,844	\$ 2,186,091	\$ 2,516,277	\$ 2,131,102	\$ 1,920,987
Revenues	4,362,427	4,288,443	3,307,919	3,513,489	3,814,657	3,369,045	3,018,697	2,782,115	2,800,192	2,577,983
Expenses	(3,127,650)	(3,432,491)	(3,014,533)	(2,858,606)	(2,847,756)	(2,747,967)	(2,498,944)	(2,297,738)	(2,415,017)	(2,367,868)
Prior period adjustment	-	-	-	-	(96,381)	-	-	(814,563)	-	-
Net position, ending	\$ 7,236,440	\$ 6,001,663	\$ 5,145,711	\$ 4,852,325	\$ 4,197,442	\$ 3,326,922	\$ 2,705,844	\$ 2,186,091	\$ 2,516,277	\$ 2,131,102
<b>Business-type Activities</b>										
Net position, beginning	\$ 2,329,894	\$ 2,516,873	\$ 2,464,877	\$ 2,508,855	\$ 2,650,773	\$ 2,687,375	\$ 2,565,819	\$ 3,119,792	\$ 3,606,230	\$ 4,059,354
Revenues	1,871,486	1,757,005	1,834,795	1,617,800	1,516,373	1,558,278	1,670,527	1,222,744	1,159,878	1,101,100
Expenses	(1,867,070)	(1,943,984)	(1,782,799)	(1,661,778)	(1,621,643)	(1,594,880)	(1,548,971)	(1,510,241)	(1,568,240)	(1,554,224)
Prior period adjustment	-	-	-	-	(36,648)	-	-	(266,476)	(78,076)	-
Net position, ending	\$ 2,334,310	\$ 2,329,894	\$ 2,516,873	\$ 2,464,877	\$ 2,508,855	\$ 2,650,773	\$ 2,687,375	\$ 2,565,819	\$ 3,119,792	\$ 3,606,230
<b>Primary Government</b>										
Net position, beginning	\$ 8,331,557	\$ 7,662,584	\$ 7,317,202	\$ 6,706,297	\$ 5,977,695	\$ 5,393,219	\$ 4,751,910	\$ 5,636,069	\$ 5,737,332	\$ 5,980,341
Revenues	6,233,913	6,045,448	5,142,714	5,131,289	5,331,030	4,927,323	4,689,224	4,004,859	3,960,070	3,679,083
Expenses	(4,994,720)	(5,376,475)	(4,797,332)	(4,520,384)	(4,469,399)	(4,342,847)	(4,047,915)	(3,807,979)	(3,983,257)	(3,922,092)
Prior period adjustment	-	-	-	-	(133,029)	-	-	(1,081,039)	(78,076)	-
Net position, ending	\$ 9,570,750	\$ 8,331,557	\$ 7,662,584	\$ 7,317,202	\$ 6,706,297	\$ 5,977,695	\$ 5,393,219	\$ 4,751,910	\$ 5,636,069	\$ 5,737,332

# Town of Hillsville, Virginia

Schedule 8

## Revenues by Function

Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental Activities</b>										
General Government										
Capital grants and contributions	\$ -	\$ 463,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety										
Charges for services	443,159	526,289	354,633	476,660	596,407	431,075	143,956	44,870	33,202	56,175
Operating grants and contributions	87,618	97,698	82,612	79,884	77,392	77,392	74,288	76,288	75,288	73,288
Capital grants and contributions	20,545	15,915	17,974	63,935	18,514	22,640	20,255	14,272	11,920	15,732
Public Works										
Charges for services	422	50	72	-	35	-	2,206	2,820	1,150	1,012
Operating grants and contributions	3,932	6,970	1,032	1,538	1,477	1,515	3,572	1,555	1,558	1,766
Capital grants and contributions	50,000	-	-	20,800	23,100	45,500	66,625	-	4,801	3,131
Community Development										
Charges for services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	34,766	92,784	9,168	-	-	2,500	-	-	-	-
Capital grants and contributions	154,282	1,750	-	(19,080)	31,750	36,750	-	3,500	42,670	251,728
General Revenues										
General property taxes	812,999	798,476	771,873	686,441	742,652	765,251	717,694	725,502	715,007	671,824
Meals tax	1,196,334	1,048,059	976,962	1,007,990	1,023,175	980,621	1,028,626	910,071	871,089	548,910
Lodgings tax	356,643	241,989	230,277	289,463	289,508	332,358	265,443	231,173	221,152	137,660
Other local taxes	939,629	845,751	819,684	840,438	816,358	762,044	744,833	663,933	729,896	635,190
Licenses and permits	4,810	4,548	1,573	2,559	1,085	5,941	1,602	1,648	6,040	1,249
Use of money and property	163,294	120,271	93,477	47,511	35,988	43,318	34,316	37,676	38,536	34,805
Miscellaneous	93,994	23,899	25,445	26,103	29,304	73,818	38,902	68,807	47,883	110,288
Gain (loss) on sale of capital assets	-	-	(12,015)	4,997	22,678	5,851	27,121	-	-	35,225
Transfers	-	18	(64,848)	(15,750)	105,234	(217,529)	(150,742)	-	-	-
Total governmental activities revenues	<u>\$ 4,362,427</u>	<u>\$ 4,288,443</u>	<u>\$ 3,307,919</u>	<u>\$ 3,513,489</u>	<u>\$ 3,814,657</u>	<u>\$ 3,369,045</u>	<u>\$ 3,018,697</u>	<u>\$ 2,782,115</u>	<u>\$ 2,800,192</u>	<u>\$ 2,577,983</u>
<b>Business-type Activities</b>										
Water										
Charges for services	\$ 756,286	\$ 735,583	\$ 659,982	\$ 676,816	\$ 604,984	\$ 521,569	\$ 478,425	\$ 416,835	\$ 420,933	\$ 434,064
Capital grants and contributions	6,002	-	156,203	-	-	79,213	293,565	98,504	75,256	3,589
Sewer										
Charges for services	981,845	961,522	895,996	879,515	860,176	702,257	697,651	675,666	614,590	627,851
Operating grants and contributions	-	-	-	-	1,614	1,821	-	-	-	-
Capital grants and contributions	118,750	11,250	20,000	-	125,000	-	14,247	-	17,788	636
General Business-type Revenues										
Use of money and property	(17,053)	18,651	21,692	25,199	8,595	7,899	9,308	4,854	10,441	4,840
Miscellaneous	25,656	30,017	16,074	20,520	21,238	27,990	26,589	26,885	19,300	29,543
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	1,570	577	134
Transfers	-	(18)	64,848	15,750	(105,234)	217,529	150,742	-	-	-
Total business-type activities revenues	<u>\$ 1,871,486</u>	<u>\$ 1,757,005</u>	<u>\$ 1,834,795</u>	<u>\$ 1,617,800</u>	<u>\$ 1,516,373</u>	<u>\$ 1,558,278</u>	<u>\$ 1,670,527</u>	<u>\$ 1,222,744</u>	<u>\$ 1,159,878</u>	<u>\$ 1,101,100</u>

# Town of Hillsville, Virginia

Schedule 9

## Expenses by Function Last Ten Fiscal Years

### Governmental Activities

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Interest on Long-term Debt</u>	<u>Other</u>	<u>Total</u>
2013	\$ 379,778	\$ 1,051,032	\$ 713,735	\$ 124,637	\$ 27,952	\$ 70,734	\$ 2,367,868
2014	414,681	1,082,316	721,765	114,859	25,218	56,178	2,415,017
2015	407,310	1,032,841	677,929	119,061	22,713	37,884	2,297,738
2016	449,575	1,142,534	730,797	143,829	21,524	10,685	2,498,944
2017	476,609	1,225,899	743,716	240,931	19,538	41,274	2,747,967
2018	508,331	1,358,018	783,175	168,817	20,120	9,295	2,847,756
2019	540,815	1,318,334	760,240	147,493	22,594	69,130	2,858,606
2020	593,300	1,323,849	887,506	177,084	14,881	17,913	3,014,533
2021	744,392	1,493,234	1,000,734	148,758	29,476	15,897	3,432,491
2022	606,586	1,298,710	941,634	180,619	15,671	84,430	3,127,650

### Business-type Activities

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2013	\$ 559,511	\$ 994,713	\$ 1,554,224
2014	577,820	990,420	1,568,240
2015	539,405	970,836	1,510,241
2016	591,332	957,639	1,548,971
2017	609,854	985,026	1,594,880
2018	627,324	994,319	1,621,643
2019	634,337	1,027,441	1,661,778
2020	711,898	1,070,901	1,782,799
2021	809,505	1,134,479	1,943,984
2022	806,476	1,060,594	1,867,070

# Town of Hillsville, Virginia

Schedule 10

## Assessed Valuation of Taxable Property and Property Tax Rates Last Ten Fiscal Years

### Assessed Valuation

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility		Supplements/ Abatements/ Exemptions	Total
				Real Estate	Personal Property		
2013	\$ 225,995,700	\$ 25,949,900	\$ 9,309,765	\$ 10,552,720	\$ 24,836	\$ (1,578,631)	\$ 270,254,290
2014	199,185,900	26,094,190	9,397,920	9,666,860	87,886	(2,179,421)	242,253,335
2015	200,170,800	26,286,600	10,443,835	10,187,225	65,246	(4,329,577)	242,824,129
2016	200,585,742	25,441,920	10,703,335	10,001,006	79,618	(4,228,615)	242,583,006
2017	200,763,800	26,070,880	12,201,370	10,412,411	89,914	(3,715,054)	245,818,321
2018	202,400,300	27,170,265	9,399,100	10,046,787	133,984	(4,413,723)	244,736,713
2019	203,068,100	28,051,420	8,795,625	10,597,513	103,131	(4,794,768)	245,821,321
2020	203,941,900	28,893,305	11,755,625	10,805,328	90,607	(4,858,421)	250,628,344
2021	203,951,000	29,592,015	15,576,930	12,807,035	142,235	(5,632,665)	256,436,550
2022	222,501,200	30,304,815	15,346,500	13,749,988	156,533	(7,595,066)	274,463,970

Source: Carroll County, Virginia Commissioner of Revenue

### Property Tax Rates (per \$100 assessed value)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility	
				Real Estate	Personal Property
2013	\$ .18	\$ .72	\$ .72	\$ .18	\$ .72
2014	.22	.72	.72	.22	.72
2015	.22	.72	.72	.22	.72
2016	.22	.72	.72	.22	.72
2017	.22	.72	.72	.22	.72
2018	.22	.72	.72	.22	.72
2019	.22	.72	.72	.22	.72
2020	.22	.72	.72	.22	.72
2021	.22	.72	.72	.22	.72
2022	.21	.72	.72	.21	.72

# Town of Hillsville, Virginia

Schedule 11

## Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount <sup>1</sup>	Percent of Levy		Amount <sup>1</sup>	Percent of Levy
2013	\$ 674,452	\$ 653,541	96.90%	\$ 20,793	\$ 674,334	99.98%
2014	705,784	676,677	95.88	28,939	705,616	99.98
2015	712,737	676,455	94.91	35,995	712,450	99.96
2016	713,803	691,647	96.90	21,711	713,358	99.94
2017	732,819	718,504	98.05	12,915	731,419	99.81
2018	721,288	707,826	98.13	11,646	719,472	99.75
2019	711,878	694,350	97.54	14,447	708,797	99.57
2020	752,364	724,816	96.34	22,270	747,086	99.30
2021	786,236	764,988	97.30	11,730	776,727	98.79
2022	806,868	784,655	97.25	-	784,655	97.25

<sup>1</sup> Exclusive of penalties and interest.

# Town of Hillsville, Virginia

Schedule 12

## Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Actual Property Value
	General Obligation Bonds	Installment Notes	Total	
	2013	\$ 156,219	\$ 729,897	
2014	148,278	649,747	798,025	0.33
2015	140,017	567,848	707,865	0.29
2016	131,422	483,046	614,468	0.25
2017	209,943	424,694	634,637	0.26
2018	233,575	383,421	616,996	0.25
2019	237,812	360,260	598,072	0.24
2020	204,328	336,453	540,781	0.22
2021	168,989	311,924	480,913	0.19
2022	246,841	286,651	533,492	0.19

  

Fiscal Year	Business-type Activities			Total Primary Government
	Water Bonds	Sewer Bonds	Total	
	2013	\$ 1,310,404	\$ 5,478,562	
2014	1,267,883	5,455,190	6,723,073	7,521,098
2015	1,404,403	5,528,919	6,933,322	7,641,187
2016	2,103,897	5,144,807	7,248,704	7,863,172
2017	2,172,455	5,030,528	7,202,983	7,837,620
2018	2,086,691	4,875,373	7,962,064	7,579,060
2019	2,020,209	4,889,553	6,909,762	7,507,834
2020	3,681,904	4,611,021	8,292,925	8,833,706
2021	4,589,621	4,342,424	8,932,045	9,412,958
2022	4,462,304	3,914,855	8,377,159	8,910,651

# Town of Hillsville, Virginia

## Schedule 13

### Computation of Legal Debt Margin Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt limit <sup>1</sup>	\$ 23,625,119	\$ 21,675,804	\$ 21,474,723	\$ 21,366,561	\$ 21,244,709	\$ 21,117,621	\$ 21,058,675	\$ 20,995,262	\$ 20,885,276	\$ 23,654,842
Amount of debt applicable to limit	<u>8,910,651</u>	<u>9,412,958</u>	<u>8,883,706</u>	<u>7,507,834</u>	<u>7,579,060</u>	<u>7,837,620</u>	<u>7,863,172</u>	<u>7,641,187</u>	<u>7,521,098</u>	<u>7,675,082</u>
Legal debt margin	<u>\$ 14,714,468</u>	<u>\$ 12,262,846</u>	<u>\$ 12,641,017</u>	<u>\$ 13,858,727</u>	<u>\$ 13,665,649</u>	<u>\$ 13,280,001</u>	<u>\$ 13,195,503</u>	<u>\$ 13,354,075</u>	<u>\$ 13,364,178</u>	<u>\$ 15,979,760</u>
Total net debt applicable to limit as a percentage of debt limit	38%	43%	41%	35%	36%	37%	37%	36%	36%	32%

<sup>1</sup> 10% of real estate assessed value.

# Town of Hillsville, Virginia

Schedule 14

## Population, Personal Income and Unemployment Rate *Latest Available Information*

<u>Year</u>	<u>Population</u>	<u>Household Median Income<sup>1</sup></u>	<u>Per Capita Personal Income<sup>1</sup></u>	<u>Unemployment Rate</u>
2007	2,849	\$ 27,148	\$ 16,663	6.6%
2010	2,622	34,240	17,942	10.9%
2011	2,709	30,922	18,070	8.4%
2013	2,714	30,293	20,891	6.4%
2015	2,680	30,584	21,645	4.9%
2017	2,654	31,862	20,146	4.7%
2020	2,762	35,156	20,430	9.5%

<sup>1</sup> Unemployment rate and income is for Carroll County, Virginia which includes the Town of Hillsville, Virginia. The unemployment rate and income for the Town of Hillsville, Virginia was not readily available.

**Principal Employers**  
*Current Year*

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<u>Rank</u>	<u>Employer</u>
1	Carroll County School Board
2	County of Carroll
3	Aerial Machine and Tool Corporation
4	Virginia Produce Co LLC
5	Lowes' Home Centers, Inc.
6	Barker Microfarads
7	Mohawk Esv Incorporated
8	Dlb Enterprises LLC
9	Parkdale Mills Inc.
10	Vanguard Furniture Company

<sup>1</sup> Large employers are for Carroll County, Virginia which includes the Town of Hillsville, Virginia. Large employers for the Town of Hillsville, Virginia was not readily available.

# Town of Hillsville, Virginia

Schedule 16

## Full-time Equivalent Government Employees by Function Last Ten Years

	Full-time Equivalent Employees as of June 30.									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Community development										
Farmers' market	1	1	1	1	1	1	-	-	-	-
General government										
Management	1	1	1	1	1	1	1	1	1	1
Finance	5	5	5	5	5	5	5	5	4	4
Building	1	1	1	1	1	1	1	1	1	1
Police										
Officers	14	14	15	16	15	18	14.5	14.5	13	12
Civilians	1	1	1	1	1	1	1	1	1	1
Refuse collection	5	5	4	4	4	4	4	4	4	4
Other public works	7	7	7	7	6	6	6	5	5	5
Water	5.5	5.5	5.5	5.5	5.5	5.5	5	4.5	4.5	4.5
Wastewater	5.5	5.5	5.5	5.5	5.5	5.5	5	4.5	4.5	4.5