

# **Town of Hillsville, Virginia**

## ***Financial Statements***

***Year Ended June 30, 2013***

**Town Council**

Gregory N. Crowder, Mayor  
Ed Terry, Vice Mayor  
Billy Walls, Sr.  
Greg Yonce  
David Young

**Town Manager**

Travis D. Jackson

**Town Attorney**

Andrea Tolbert

**Treasurer**

Judith K. Bolt

**Independent Auditors**

Hicok, Fern, Brown & Garcia

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# Hicok, Fern, Brown & Garcia

## *Certified Public Accountants*

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### INDEPENDENT AUDITORS' REPORT

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

Members of the Town Council:

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

**Hicok, Fern, Brown & Garcia**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hillsville as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hillsville's basic financial statements. The introductory section, combining and fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

*Implementation of New Accounting Standards*

As disclosed in Note 1 of the financial statements, the Town of Hillsville implemented Governmental Accounting Standards Board (GASB) Statement No. 63. GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, have significant impact to the Town of Hillsville's financial statements.

**Hicok, Fern, Brown & Garcia**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the Town of Hillsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Hillsville's internal control over financial reporting and compliance.



Hicok, Fern, Brown & Garcia  
Certified Public Accountants

November 15, 2013

# Hicok, Fern, Brown & Garcia

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

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

Members of the Town Council:

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, and the Specifications for Audits of Authorities, Boards and Commission, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental 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, 2013, and the related notes to the financial statements, which collectively comprise Town of Hillsville's basic financial statements, and have issued our report thereon dated November 15, 2013.

### **Internal Control Over Financial Reporting**

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

# Hicok, Fern, Brown & Garcia

*Certified Public Accountants*

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

## **Compliance and Other Matters**

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

## **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, Fern, Brown & Garcia  
Certified Public Accountants

November 15, 2013



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# Town of Hillsville

## Management's Discussion and Analysis

*As of June 30, 2013*

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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, 2013. 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 \$5,737,332 as of June 30, 2013.
- Total investment in capital assets, net of related debt was \$3,643,195.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,148,043, a decrease of \$33,721 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$870,296.

### 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

## Management's Discussion and Analysis

As of June 30, 2013

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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

## Management's Discussion and Analysis

As of June 30, 2013

### 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 36 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 \$5,737,332 as of June 30, 2013, a decrease of \$243,009 compared to the prior year-end. The largest portion of net position (63.5%) 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, 2013 and 2012 is shown in Figure 1.

#### Assets, Liabilities, and Net Position

Figure 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,896,203	\$ 1,988,363	\$ 1,370,237	\$ 1,463,570	\$ 3,266,440	\$ 3,451,933
Capital assets	2,107,988	1,908,851	9,210,289	9,634,036	11,318,277	11,542,887
Total assets	4,004,191	3,897,214	10,580,526	11,097,606	14,584,717	14,994,820
Net bond issue costs	-	-	78,075	81,441	78,075	81,441
Total deferred outflows of resources	-	-	78,075	81,441	78,075	81,441
Long-term liabilities	885,997	960,231	6,753,690	6,816,942	7,639,687	7,777,173
Other liabilities	311,757	294,887	298,681	302,751	610,438	597,638
Total liabilities	1,197,754	1,255,118	7,052,371	7,119,693	8,250,125	8,374,811
Deferred revenue	675,335	721,109	-	-	675,335	721,109
Total deferred inflows of resources	675,335	721,109	-	-	675,335	721,109
Net position:						
Invested in capital assets, net of related debt	1,221,872	937,723	2,421,323	2,780,899	3,643,195	3,718,622
Restricted	31,934	25,978	-	-	31,934	25,978
Unrestricted	877,296	957,286	1,184,907	1,278,455	2,062,203	2,235,741
Total net position	\$ 2,131,102	\$ 1,920,987	\$ 3,606,230	\$ 4,059,354	\$ 5,737,332	\$ 5,980,341

# Town of Hillsville

## Management's Discussion and Analysis

As of June 30, 2013

**Governmental activities.** Governmental activities increased the Town's net position by \$210,115 for the year ended June 30, 2013 which compares to an increase of \$211,186 before transfers in the prior year.

**Business-type activities:** Business-type activities decreased the Town's net position by \$453,124 for the year ended June 30, 2013 compared to a decrease of \$436,381 for the year ended June 30, 2012. The increase in the loss was the result of lower service charges.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenue</b>						
Program revenues:						
Charges for services	\$ 57,187	\$ 39,315	\$ 1,061,915	\$ 1,103,739	\$ 1,119,102	\$ 1,143,054
Operating grants and contributions	75,054	94,551	-	-	75,054	94,551
Capital grants and contributions	270,591	124,728	4,225	511	274,816	125,239
General revenues:						
Property taxes	671,824	589,502	-	-	671,824	589,502
Other taxes	1,323,009	1,470,551	-	-	1,323,009	1,470,551
Interest and investment, earnings	34,805	26,542	4,840	13,557	39,645	40,099
Other	145,513	261,079	30,120	53,287	175,633	314,366
Total revenue	<u>2,577,983</u>	<u>2,606,268</u>	<u>1,101,100</u>	<u>1,171,094</u>	<u>3,679,083</u>	<u>3,777,362</u>
<b>Expenses</b>						
General government	379,778	498,977	-	-	379,778	498,977
Public safety	1,051,032	1,053,610	-	-	1,051,032	1,053,610
Public works	713,735	660,234	-	-	713,735	660,234
Community development	124,637	105,485	-	-	124,637	105,485
Other activities	70,734	53,460	-	-	70,734	53,460
Interest on long-term debt	27,952	23,316	-	-	27,952	23,316
Water	-	-	559,511	571,629	559,511	571,629
Sewer	-	-	994,713	985,846	994,713	985,846
Total expenses	<u>2,367,868</u>	<u>2,395,082</u>	<u>1,554,224</u>	<u>1,557,475</u>	<u>3,922,092</u>	<u>3,952,557</u>
Increase (decrease) in net position before transfers	210,115	211,186	(453,124)	(386,381)	(243,009)	(175,195)
Transfers	-	50,000	-	(50,000)	-	-
Increase(decrease) in net position	210,115	261,186	(453,124)	(436,381)	(243,009)	(175,195)
Net position, beginning	<u>1,920,987</u>	<u>1,659,801</u>	<u>4,059,354</u>	<u>4,495,735</u>	<u>5,980,341</u>	<u>6,155,536</u>
Net position, ending	<u>\$ 2,131,102</u>	<u>\$ 1,920,987</u>	<u>\$ 3,606,230</u>	<u>\$ 4,059,354</u>	<u>\$ 5,737,332</u>	<u>\$ 5,980,341</u>

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# Town of Hillsville

## Management's Discussion and Analysis

*As of June 30, 2013*

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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 \$245,813 and unassigned funds of \$870,296.

At June 30, 2013, the governmental funds of the Town reported a combined fund balance of \$1,148,043.

**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 \$3,606,230.

### **General Fund Budgetary Highlights**

The Town budgeted revenue from the Transportation Equity Act for the 21st Century Grant in the amount of \$90,476 along with related expenses of \$331,444. Funds of \$250,728 were received during the year. Total related expenses amounted to \$331,444 during the year.

Miscellaneous revenues exceeded budget for the year in part due to the sale of the rescue squad building and increased support received for Town-sponsored events.

Expenses budgeted for the police department for the year were \$951,417. Actual expenses amounted to \$868,363. The difference primarily relates to salaries and related expenses for positions that were not staffed for the entire fiscal year.

Capital projects expenses were budgeted to be \$124,785 however only \$26,030 were expended. Amounts budgeted to capital projects expenses are reserved from year to year until needed.

# Town of Hillsville

## Management's Discussion and Analysis

As of June 30, 2013

### 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, 2013, totals \$11,318,277 (net of accumulated depreciation). These assets include land and land improvements, buildings and improvements, vehicles and equipment.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 89,850	\$ 89,850	\$ 44,168	\$ 44,168	\$ 134,018	\$ 134,018
Land improvements	633,009	306,206	-	-	633,009	306,206
Buildings and improvements	696,987	725,247	9,098,330	9,543,751	9,795,317	10,268,998
Vehicles	-	-	-	1,598	-	1,598
Equipment	688,142	787,548	67,791	44,519	755,933	832,067
Total	<u>\$ 2,107,988</u>	<u>\$ 1,908,851</u>	<u>\$ 9,210,289</u>	<u>\$ 9,634,036</u>	<u>\$ 11,318,277</u>	<u>\$ 11,542,887</u>

Major capital asset transactions include the following additions and disposals:

**Changes in Capital Assets**  
Figure 4

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	349,947	264,861	-	-	349,947	264,861
Buildings and improvements	6,970	-	26,327	58,389	33,297	58,389
Vehicles	-	-	-	-	-	-
Equipment	22,362	772,965	37,119	-	59,481	772,965
Total additions	<u>\$ 379,279</u>	<u>\$ 1,037,826</u>	<u>\$ 63,446</u>	<u>\$ 58,389</u>	<u>\$ 442,725</u>	<u>\$ 1,096,215</u>
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	-	-	-	-	-	-
Buildings and improvements	22,395	30,981	11,077	-	33,472	30,981
Vehicles	-	-	-	-	-	-
Equipment	-	389,427	130	8,936	130	398,363
Total disposals	<u>\$ 22,395</u>	<u>\$ 420,408</u>	<u>\$ 11,207</u>	<u>\$ 8,936</u>	<u>\$ 33,602</u>	<u>\$ 429,344</u>

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

# Town of Hillsville

## Management's Discussion and Analysis

As of June 30, 2013

**Long-term Debt.** As of June 30, 2013, the Town had total bonded debt outstanding of \$7,675,082. 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	
	2013	2012	2013	2012	2013	2012
Installment notes payable	\$ 729,897	\$ 807,277	\$ -	\$ -	\$ 729,897	\$ 807,277
General obligation bonds	156,219	163,851	6,788,966	6,853,137	6,945,185	7,016,988
Total	<u>\$ 886,116</u>	<u>\$ 971,128</u>	<u>\$ 6,788,966</u>	<u>\$ 6,853,137</u>	<u>\$ 7,675,082</u>	<u>\$ 7,824,265</u>

The Town's total debt decreased by \$149,183 (1.9%) during the past fiscal 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 \$23.7 million as of June 30, 2013.

Additional information regarding the Town's long-term debt can be found in note 10 and schedules 9 and 10.

### Budget Highlights for the Fiscal Year Ending June 30, 2014

**Governmental Activities:** Real estate and personal property taxes and revenues from permits and fees are expected to increase in budgeted revenue by 4%. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund decreased by approximately 10%. The budget for capital expenditures were decreased to account for only what the Town expects to use in the fiscal year.

### 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, 2013

Exhibit A

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 866,256	\$ 974,464	\$ 1,840,720
Investments	156,248	254,808	411,056
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	658,198	-	658,198
Accounts	163,227	89,914	253,141
Accrued charges for services	-	51,051	51,051
Loans	47,251	-	47,251
Note receivable	3,006	-	3,006
Due from other governmental units	2,017	-	2,017
Capital assets, net	<u>2,107,988</u>	<u>9,210,289</u>	<u>11,318,277</u>
Total assets	<u>4,004,191</u>	<u>10,580,526</u>	<u>14,584,717</u>
<b>Deferred Outflows of Resources</b>			
Bond issuance costs (net of accumulated amortization)	<u>-</u>	<u>78,075</u>	<u>78,075</u>
<b>Liabilities</b>			
Accounts payable	219,871	71,263	291,134
Deposits	1,575	74,072	75,647
Accrued bond interest	2,618	87,414	90,032
Bonds and notes payable due within one year	87,693	65,932	153,625
Bonds and notes payable due in more than one year	798,423	6,723,034	7,521,457
Compensated absences	<u>87,574</u>	<u>30,656</u>	<u>118,230</u>
Total liabilities	<u>1,197,754</u>	<u>7,052,371</u>	<u>8,250,125</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue	<u>675,335</u>	<u>-</u>	<u>675,335</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	1,221,872	2,421,323	3,643,195
Restricted	31,934	-	31,934
Unrestricted	<u>877,296</u>	<u>1,184,907</u>	<u>2,062,203</u>
Total net position	<u>\$ 2,131,102</u>	<u>\$ 3,606,230</u>	<u>\$ 5,737,332</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 379,778	\$ -	\$ -	\$ -	\$ (379,778)	\$ -	\$ (379,778)
Public safety	1,051,032	56,175	73,288	15,732	(905,837)	-	(905,837)
Public works	713,735	1,012	1,766	3,131	(707,826)	-	(707,826)
Community development	124,637	-	-	251,728	127,091	-	127,091
Other activities	70,734	-	-	-	(70,734)	-	(70,734)
Interest on long – term debt	27,952	-	-	-	(27,952)	-	(27,952)
Total government activities	2,367,868	57,187	75,054	270,591	(1,965,036)	-	(1,965,036)
Business – type activities:							
Water	559,511	434,064	-	3,589	-	(121,858)	(121,858)
Sewer	994,713	627,851	-	636	-	(366,226)	(366,226)
Total business – type activities	1,554,224	1,061,915	-	4,225	-	(488,084)	(488,084)
Total primary government	\$ 3,922,092	\$ 1,119,102	\$ 75,054	\$ 274,816			(2,453,120)
General Revenues:							
General property					671,824	-	671,824
Sales tax					55,026	-	55,026
Utility tax					93,304	-	93,304
Business license					290,017	-	290,017
Franchise tax					20,505	-	20,505
Motor vehicle license					42,068	-	42,068
Bank stock tax					84,270	-	84,270
Meals tax					137,660	-	137,660
Lodgings tax					548,910	-	548,910
Other taxes					50,000	-	50,000
Licenses and permits					1,249	-	1,249
Grants and contributions not restricted to specific programs					-	-	-
Use of money and property					34,805	4,840	39,645
Miscellaneous					110,288	29,543	139,831
Gain (loss) on sale/retirement of capital assets					35,225	577	35,802
Transfers					-	-	-
Total general revenues and transfers					2,175,151	34,960	2,210,111
Change in net position					210,115	(453,124)	(243,009)
Net position, beginning					1,920,987	4,059,354	5,980,341
Net position, ending					\$ 2,131,102	\$ 3,606,230	\$ 5,737,332

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

# Town of Hillsville, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2013

Exhibit C  
Page 1

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 834,162	\$ 32,094	\$ 866,256
Investments	156,248	-	156,248
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	658,198	-	658,198
Accounts	163,227	-	163,227
Loans	-	47,251	47,251
Due from other funds	160	-	160
Due from other governmental units	<u>2,017</u>	<u>-</u>	<u>2,017</u>
Total assets	<u>1,814,012</u>	<u>79,345</u>	<u>1,893,357</u>
<b>Liabilities</b>			
Accounts payable	54,597	-	54,597
Deposits	1,575	-	1,575
Due to other funds	<u>-</u>	<u>160</u>	<u>160</u>
Total liabilities	<u>56,172</u>	<u>160</u>	<u>56,332</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue	<u>641,731</u>	<u>47,251</u>	<u>688,982</u>
<b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted:			
Community development	-	31,934	31,934
Committed	-	-	-
Assigned:			
Capital projects	245,813	-	245,813
Unassigned	<u>870,296</u>	<u>-</u>	<u>870,296</u>
Total fund balances	<u>\$ 1,116,109</u>	<u>\$ 31,934</u>	<u>\$ 1,148,043</u>

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

# Town of Hillsville, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2013

Exhibit C  
Page 2

	<u>Total</u>
Total fund balances per Balance Sheet for Governmental Funds	\$ 1,148,043
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	2,107,988
Some receivables are not available to pay for current period expenditures and therefore are deferred in the fund financial statements.	
Property taxes	13,647
Some receivables are not due and payable in the current period and therefore are not reported as fund assets. All receivables are included in the Statement of Net Position.	
Note receivable net of principal payments	3,006
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.	
Accounts payable (related to post employment benefits)	(165,274)
Accrued bond interest	(2,618)
Bonds and notes payable	(886,116)
Compensated absences	(87,574)
Net position of governmental activities	<u>\$ 2,131,102</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, 2013

Exhibit D

Page 1

	General Fund	CDBG Fund	Total Governmental Activities
<b>Revenues:</b>			
General property taxes	\$ 666,966	\$ -	\$ 666,966
Other local taxes	1,271,760	-	1,271,760
Permits, privilege fees and regulatory licenses	1,249	-	1,249
Fines and forfeitures	56,175	-	56,175
Payment in lieu of taxes	50,000	-	50,000
Revenue from use of money and property	31,820	1,518	33,338
Charges for services	1,012	-	1,012
Miscellaneous	174,108	4,786	178,894
Intergovernmental:			
Federal	270,591	-	270,591
State	75,054	-	75,054
Total revenues	<u>2,598,735</u>	<u>6,304</u>	<u>2,605,039</u>
<b>Expenditures:</b>			
Current:			
General government administration	346,143	-	346,143
Public safety	940,735	-	940,735
Public works	706,857	-	706,857
Community development	435,810	348	436,158
Non-departmental	69,304	-	69,304
Capital projects	26,030	-	26,030
Annexation expenses	-	-	-
Debt service:			
Principal retirement	84,993	-	84,993
Interest and finance charges	28,540	-	28,540
Total expenditures	<u>2,638,412</u>	<u>348</u>	<u>2,638,760</u>
Excess (loss) of revenues over expenditures	<u>(39,677)</u>	<u>5,956</u>	<u>(33,721)</u>
<b>Other financing sources and uses:</b>			
Proceeds from debt	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (loss) of revenues and other sources over expenditures and other uses	<u>(39,677)</u>	<u>5,956</u>	<u>(33,721)</u>
Fund balance, beginning	<u>1,155,786</u>	<u>25,978</u>	<u>1,181,764</u>
Fund balance, ending	<u>\$ 1,116,109</u>	<u>\$ 31,934</u>	<u>\$ 1,148,043</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, 2013

Exhibit D

Page 2

	<b>Total Governmental Activities</b>
Net change in fund balances – total governmental funds	\$ (33,721)
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	379,279
Capital assets disposals net of accumulated depreciation	(4,693)
Depreciation expense	(175,449)
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	-
Principal payments	85,012
Interest accrued	570
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	4,858
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.	
	(27,222)
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	(25,149)
Change in compensated absences	(13,370)
Contingency loss accrued in prior year, paid in current year	20,000
Change in net position of governmental activities	<u>\$ 210,115</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, 2013

	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 393,791	\$ 580,673	\$ 974,464
Investments	127,404	127,404	254,808
Accounts receivable (net of allowance for uncollectibles)	40,406	49,508	89,914
Accrued charges for services	23,923	27,128	51,051
Total current assets	585,524	784,713	1,370,237
Capital assets			
Buildings	3,960,557	11,150,130	15,110,687
Land	31,468	12,700	44,168
Machinery and equipment	174,856	131,809	306,665
Total capital assets	4,166,881	11,294,639	15,461,520
Less accumulated depreciation	2,254,339	3,996,892	6,251,231
Net capital assets	1,912,542	7,297,747	9,210,289
Total assets	2,498,066	8,082,460	10,580,526
<b>Deferred Outflows of Resources</b>			
Bond issuance costs (net of accumulated amortization)	9,511	68,564	78,075
<b>Liabilities</b>			
Liabilities:			
Current liabilities (payable from current assets):			
Accounts payable	33,821	37,442	71,263
Deposits	37,036	37,036	74,072
Accrued bond interest	3,388	84,026	87,414
Current portion of bonds	42,521	23,411	65,932
Total current liabilities (payable from current assets)	116,766	181,915	298,681
Long-term liabilities:			
Bonds (net of current portion)	1,267,883	5,455,151	6,723,034
Compensated absences	16,623	14,033	30,656
Total long-term liabilities	1,284,506	5,469,184	6,753,690
Total liabilities	1,401,272	5,651,099	7,052,371
<b>Net Position</b>			
Net Position:			
Invested in capital assets, net of related debt	602,138	1,819,185	2,421,323
Unrestricted	504,167	680,740	1,184,907
Total net position	\$ 1,106,305	\$ 2,499,925	\$ 3,606,230

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, 2013

	Water Fund	Sewer Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 434,064	\$ 627,851	\$ 1,061,915
Miscellaneous	1,174	4,120	5,294
Total operating revenues	<u>435,238</u>	<u>631,971</u>	<u>1,067,209</u>
<b>Operating expenses:</b>			
Personnel services	179,897	177,070	356,967
Fringe benefits	69,510	66,219	135,729
Contractual services	3,592	2,837	6,429
Payment in lieu of taxes	35,000	15,000	50,000
Depreciation and amortization	142,567	347,991	490,558
Other	121,521	169,216	290,737
Total operating expenses	<u>552,087</u>	<u>778,333</u>	<u>1,330,420</u>
Operating loss	<u>(116,849)</u>	<u>(146,362)</u>	<u>(263,211)</u>
<b>Nonoperating revenues (expenses):</b>			
Connection fees	4,838	5,029	9,867
Interest	2,690	2,150	4,840
Gain (loss) on sale/retirement of fixed assets	340	237	577
Other nonoperating revenues	8,547	5,835	14,382
Interest and fiscal charges	(7,424)	(216,380)	(223,804)
Total nonoperating revenues (expenses)	<u>8,991</u>	<u>(203,129)</u>	<u>(194,138)</u>
Loss before contributions and transfers	<u>(107,858)</u>	<u>(349,491)</u>	<u>(457,349)</u>
Capital grants and contributions	3,589	636	4,225
Operating transfers in	230	-	230
Operating transfers out	-	(230)	(230)
Changes in net position	<u>(104,039)</u>	<u>(349,085)</u>	<u>(453,124)</u>
Net position, beginning	<u>1,210,344</u>	<u>2,849,010</u>	<u>4,059,354</u>
Net position, ending	<u>\$ 1,106,305</u>	<u>\$ 2,499,925</u>	<u>\$ 3,606,230</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, 2013

	Water Fund	Sewer Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 441,483	\$ 632,587	\$ 1,074,070
Cash payments to suppliers for goods and services	(143,569)	(181,998)	(325,567)
Cash payments to employees for services	(237,475)	(231,071)	(468,546)
Payment in lieu of taxes	(35,000)	(15,000)	(50,000)
Net cash provided by operating activities	25,439	204,518	229,957
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers from (to) other funds	230	(230)	-
Net cash provided (used) by noncapital financing activities	230	(230)	-
<b>Cash flows from capital and related financing activities:</b>			
Capital grants	3,589	636	4,225
Acquisition, construction and disposal of capital assets	(40,110)	(22,758)	(62,868)
Principal paid on bonds	(42,521)	(21,650)	(64,171)
Interest paid on bonds	(7,464)	(217,401)	(224,865)
Net cash used by capital and related financing activities	(86,506)	(261,173)	(347,679)
<b>Cash flows from investing activities:</b>			
Cash payments to purchase investments	250	250	500
Interest on temporary investments	2,690	2,150	4,840
Net cash provided by investing activities	2,940	2,400	5,340
Net decrease in cash and cash equivalents	(57,897)	(54,485)	(112,382)
Cash and cash equivalents at beginning of year	451,688	635,158	1,086,846
Cash and cash equivalents at end of year	\$ 393,791	\$ 580,673	\$ 974,464
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (116,849)	\$ (146,362)	\$ (263,211)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	142,567	347,991	490,558
Receivables and accrued charges for services	(8,221)	(11,328)	(19,549)
Accounts payable and deferred revenue	(6,986)	1,221	(5,765)
Connection fees and other income	13,385	10,864	24,249
Other accrued expenses	462	1,052	1,514
Deposits	1,081	1,080	2,161
Total adjustments	142,288	350,880	493,168
Net cash provided by operating activities	\$ 25,439	\$ 204,518	\$ 229,957

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



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# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

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### 1. Summary of Significant Accounting Policies

The financial statements of the Town of Hillsville, Virginia (the “Town”) conform to generally accepted accounting principles (“GAAP”) applicable to government units promulgated 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.

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.

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# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

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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 30 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, 2013

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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. Budgets and Budgetary Accounting

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

1. Prior to 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 generally accepted accounting principles (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, 2013

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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. 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.

#### G. 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 and 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.

#### H. 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.

#### I. 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.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

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

#### J. 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.

#### K. 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.

#### L. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing the Statement and no restatement of prior balances is required.

#### M. Use of Estimates

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

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 2. Cash and Investments

Cash: At year-end the carrying value of the Town's deposits with banks and savings institutions was \$1,840,120 and the bank balance was \$1,952,769. 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).

Credit Risk: State statutes require that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. The Town's rated debt investments as of June 30, 2013 are presented below using the Standard & Poor's rating scale.

	<u>Fair Quality Ratings</u>		<u>Fair Value</u>
	<u>AAAm</u>	<u>Unrated</u>	
Alliance U.S. Government Bond Fund	\$ -	\$ 123,518	\$ 123,518
Investment in Local Government			
Investment Pool	287,538	-	287,538
Total	<u>\$ 287,538</u>	<u>\$ 123,518</u>	<u>\$ 411,056</u>

Concentration of Credit Risk: The Town's investments in the Alliance Bond Fund and the LGIP represented 30.0% and 70.0%, respectively, of the portfolio at June 30, 2013.

### 3. Note Receivable

On October 6, 2006 the Town issued a note receivable in the amount of \$56,000 for the sale of a building. The Town will receive monthly payments of principal and interest of \$284 over ten years to mature on October 6, 2016. Interest income on the note receivable for the current year was \$1,425.

### 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, 2013 is composed of the following:

General Fund, Allowance for Uncollectible Taxes	\$ 34,855
Water and Sewer Funds, Allowance for Uncollectible Accounts	36,623
	<u>\$ 71,478</u>

### 5. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2013 are summarized as follows:

Carroll County, Virginia	
Court fines and forfeitures	<u>\$ 2,017</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 6. Capital Assets

A summary of changes in capital assets follows:

#### *Governmental Activities*

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
Land (not depreciated)	\$ 89,850	\$ -	\$ -	\$ 89,850
Land improvements	331,675	349,947	-	681,622
Buildings and improvements	1,090,603	6,970	22,395	1,075,178
Equipment	<u>1,809,009</u>	<u>22,362</u>	<u>-</u>	<u>1,831,371</u>
Total	3,321,137	379,279	22,395	3,678,021
Less accumulated depreciation	<u>1,412,286</u>	<u>175,449</u>	<u>17,702</u>	<u>1,570,033</u>
Government activities capital assets, net	<u>\$ 1,908,851</u>	<u>\$ 203,830</u>	<u>\$ 4,693</u>	<u>\$ 2,107,988</u>

#### *Business-type Activities*

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
Water Fund:				
Land (not depreciated)	\$ 31,468	\$ -	\$ -	\$ 31,468
Buildings and improvements	3,945,307	26,327	11,077	3,960,557
Vehicles	51,518	-	-	51,518
Equipment	<u>109,214</u>	<u>14,124</u>	<u>-</u>	<u>123,338</u>
Total	4,137,507	40,451	11,077	4,166,881
Less accumulated depreciation	<u>2,123,233</u>	<u>142,183</u>	<u>11,077</u>	<u>2,254,339</u>
Water Fund capital assets, net	<u>\$ 2,014,274</u>	<u>\$ (101,732)</u>	<u>\$ -</u>	<u>\$ 1,912,542</u>
Sewer Fund:				
Land (not depreciated)	\$ 12,700	\$ -	\$ -	\$ 12,700
Buildings and improvements	11,150,130	-	-	11,150,130
Vehicles	18,518	-	-	18,518
Equipment	<u>90,426</u>	<u>22,995</u>	<u>130</u>	<u>113,291</u>
Total	11,271,774	22,995	130	11,294,639
Less accumulated depreciation	<u>3,652,012</u>	<u>345,010</u>	<u>130</u>	<u>3,996,892</u>
Sewer Fund capital assets, net	<u>\$ 7,619,762</u>	<u>\$ (322,015)</u>	<u>\$ -</u>	<u>\$ 7,297,747</u>

Depreciation expense was charged to functions/programs as follows:

#### *Governmental Activities*

General government	\$ 22,409
Public safety	119,964
Public works	13,154
Community development	<u>19,922</u>
	<u>\$ 175,449</u>

#### *Business-type Activities*

Water	\$ 142,183
Sewer	<u>345,010</u>
	<u>\$ 487,193</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

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### 7. Benefits

#### *Defined Benefit Pension Plan*

##### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier.

At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.



# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 7. Benefits, continued

#### A. Plan Description, continued

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 17.83% of annual covered payroll.

#### C. Annual Pension Cost

For the fiscal year ended June 30, 2013, the Town's annual pension cost of \$240,924 equaled their required and actual contributions.

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 240,924	100.00%	\$ 1,429,487
June 30, 2012	198,590	100.00%	1,224,968
June 30, 2011	184,498	99.51%	1,196,731

The FY 2013 required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

#### D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 73.33% funded. The actuarial accrued liability for benefits was \$5,360,528, and the actuarial value of assets was \$3,931,041, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,429,487. The covered payroll (annual payroll of

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 7. Benefits, continued

active employees covered by the plan) was \$1,351,232, and the ratio of the UAAL to the covered payroll was 105.79%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

#### ***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 Prior Plan – All 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 Current Plan – All Plan 1 Members not vested as of January 1, 2013 and Members hired on or after July 1, 2010 (Plan 2):*

- 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:*

- 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 lifetimes of the retiree and spouse. If the retiree predeceases the spouse, the spouse may continue coverage until the earlier of the spouse's 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 the dependent's death, attainment of age 26, marriage, ability to be self-supportive, or obtaining health coverage not offered by the Town.

##### **B. Funding Policy**

The retiree and spouse pay 100% of the premium cost for their elected coverage.

##### **C. Annual OPEB Cost**

The annual required contribution (ARC), an actuarially determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty (30) years.

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 7. Benefits, continued

The following table represents the calculation of the Net OPEB Obligation:

<b>Fiscal Year Ending June 30,</b>	<b>Annual Required Contribution</b>	<b>Interest on Net OPEB Obligation</b>	<b>Adjustment to the ARC</b>	<b>Net OPEB Cost</b>	<b>Actual Contribution</b>	<b>Net OPEB Obligation</b>
2010	\$ 17,900	\$ -	\$ -	\$ 17,900	\$ 9,409	\$ 8,491
2011	18,900	-	-	18,900	8,410	18,981
2012	18,900	-	-	18,900	31,109	6,772
2013	20,100	237	(250)	20,087	26,484	375

#### D. Funding Status and Funding Progress

The plan is funded on a pay-as-you-go basis and has no assets. The actuarial accrued liability for benefits for the most recent valuation date, June 30, 2013, was \$221,900, resulting in an unfunded actuarial accrued liability (UAAL) of \$221,900. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$1,306,900, and the ratio of the UAAL to the covered payroll was 16.98%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

#### E. 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	6/30/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll
Remaining amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	3.5% annual returns net of both investment and non-actuarial administrative expenses
Medical cost trend assumption	Health: Getzen Trend Model – 7.0% graded to 4.8% over 70 years
Payroll growth	3.0% per year

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2011

### 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 up to thirty days is paid upon termination. The Town has outstanding accrued vacation pay totaling \$87,574 in Governmental Activities and \$30,656 in Business-type Activities at June 30, 2013.

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

The Town periodically leases various types of equipment under capital and operating agreements. Lease expenditures under operating lease agreements for the year ended June 30, 2013 amount to \$2,534. The Town was not a party to any capital leases at June 30, 2013.

### 10. Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013:

	Amounts payable at July 1, 2012	Increases	Decreases	Amounts payable at June 30, 2013	Due within one year
<b>Governmental Activities</b>					
Installment notes payable	\$ 807,277	\$ -	\$ 77,380	\$ 729,897	\$ 79,753
General obligation bonds	163,851	-	7,632	156,219	7,940
	<u>\$ 971,128</u>	<u>\$ -</u>	<u>\$ 85,012</u>	<u>\$ 886,116</u>	<u>\$ 87,693</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 6,853,137	\$ -	\$ 64,171	\$ 6,788,966	\$ 65,932
Revenue bonds	-	-	-	-	-
	<u>\$ 6,853,137</u>	<u>\$ -</u>	<u>\$ 64,171</u>	<u>\$ 6,788,966</u>	<u>\$ 65,932</u>

Contractual maturities for long-term debt are as follows:

Year ending June 30,	Governmental Activities Notes Payable and Bonds		Business-type Activities Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 87,693	\$ 25,819	\$ 65,932	\$ 213,649
2015	90,542	23,010	136,565	204,057
2016	93,445	20,106	237,229	198,844
2017	67,774	17,104	252,924	191,587
2018	51,155	14,859	258,649	183,949
2019-2023	177,557	58,189	1,425,360	794,756
2024-2028	202,364	30,132	1,634,219	556,610
2029-2033	115,586	5,473	1,764,085	292,943
2034-2038	-	-	756,472	74,344
2039-2043	-	-	257,531	19,541
2044-2048	-	-	-	-
Total	<u>\$ 886,116</u>	<u>\$ 194,692</u>	<u>\$ 6,788,966</u>	<u>\$ 2,730,280</u>

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

### 10. Long-Term Debt, continued

#### Bond Issuance Costs

The Town has incurred the following bond issuance costs which are amortized using the interest method over the life of the respective bond. Balances at June 30, 2013 are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$1,276,633 2008 General Obligation Bond	\$ -	\$ 7,515	\$ -	\$ 7,515
\$4,865,000 2012A General Obligation Bond	-	3,350	74,526	77,876
Total bond issuance costs	-	10,865	74,526	85,391
Less accumulated amortization	-	(1,354)	(5,962)	(7,316)
Unamortized balance	<u>\$ -</u>	<u>\$ 9,511</u>	<u>\$ 68,564</u>	<u>\$ 78,075</u>

#### Details of Long-Term Indebtedness

##### Notes Payable:

Installment note payable monthly including interest at 3.99%, through December 27, 2017. Unsecured.

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 155,174	\$ -	\$ 155,174

Installment note payable monthly including interest at 2.49%, through February 22, 2032, secured by fire truck.

492,751 - 492,751

Installment note payable annually including interest at 2.45%, through August 17, 2015, secured by four dodge chargers.

81,972 - 81,972

##### General Obligations Bonds:

\$913,000 2001 General Obligation Bond, interest at 4.5%, principal and interest payable monthly through November 30, 2042.

- 817,762 817,762

\$1,276,663 2008 General Obligation Bond, at no interest payable semi-annually through August 1, 2039.

- 1,116,204 1,116,204

\$193,000 2008 General Obligation Bond, interest at 4.00% payable monthly through June 1, 2028.

156,219 - 156,219

\$4,865,000 2012 General Obligation Bond, interest at 3.84% payable semi-annually, principal payable annually through July 15, 2035.

- 4,855,000 4,855,000

Total long-term debt

\$ 886,116 \$ 6,788,966 \$ 7,675,082

# Town of Hillsville, Virginia

## Notes to Financial Statements

As of June 30, 2013

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### 11. Deferred Revenue

Deferred revenue represents a measurable inflow of resources that will be available in a future reporting period. Deferred revenue totaling \$688,982 at June 30, 2013 is comprised of the following:

#### Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$636,388.

#### Prepaid Property Taxes

Property taxes due subsequent to the current tax levy but paid in advance by taxpayers totaled \$5,343.

#### Deferred Loan Revenue

Deferred loan revenue representing uncollected loans receivable not available to fund current expenditures totaled \$47,251.

### 12. 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, 2013, 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.

### 13. Surety Bond Information

Fidelity and Deposit Company of Maryland:	
Treasurer	\$ 100,000
All Town employees - blanket bond	\$ 100,000

### 14. 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, 2013, Water and Sewer Fund accrued charges for services are \$23,923 and \$27,128, respectively.

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# Town of Hillsville, Virginia

## Notes to Financial Statements

*As of June 30, 2013*

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### 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.

# Town of Hillsville, Virginia

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

### Governmental Funds

For the Year Ended June 30, 2013

Schedule 1

Page 1

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Primary government:				
General fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 381,600	\$ 381,600	\$ 395,616	\$ 14,016
Real and personal public service corporation property taxes	24,000	24,000	19,174	(4,826)
Personal property taxes	173,538	173,538	178,110	4,572
Machinery and tools taxes	72,000	72,000	67,098	(4,902)
Penalties and interest	2,500	2,500	6,968	4,468
Bad debt expense	-	-	-	-
Total general property taxes	653,638	653,638	666,966	13,328
Other local taxes:				
Local sales and use taxes	60,000	60,000	55,026	(4,974)
Consumers utility taxes	88,500	88,500	93,304	4,804
Business license taxes and vendor taxes	273,000	273,000	290,017	17,017
Franchise license taxes	18,000	18,000	20,505	2,505
Motor vehicle licenses	44,000	44,000	42,068	(1,932)
Bank stock taxes	100,000	100,000	84,270	(15,730)
Hotel and motel room taxes	157,500	157,500	137,660	(19,840)
Restaurant food taxes	547,000	547,000	548,910	1,910
Total other local taxes	1,288,000	1,288,000	1,271,760	(16,240)
Permits, privilege fees, and regulatory licenses	1,000	1,000	1,249	249
Fines and forfeitures	17,500	17,500	56,175	38,675
Payment in lieu of taxes	50,000	50,000	50,000	-
Revenue from use of money and property:				
Revenue from use of money	400	400	4,516	4,116
Revenue from use of property	32,300	32,300	27,304	(4,996)
Total revenue from use of money and property	32,700	32,700	31,820	(880)
Charges for services:				
Charges for sanitation and waste removal	-	-	1,012	1,012
Miscellaneous	61,319	61,319	174,108	112,789
Total revenue from local sources	2,104,157	2,104,157	2,253,090	148,933
Revenue from the Federal Government:				
Byrne Justice Assistance Grant	-	-	3,349	3,349
Transportation equity act for the 21 <sup>st</sup> century	90,476	90,476	250,728	160,252
Highway safety grants	5,000	5,000	12,383	7,383
Local Government Challenge Grant	-	-	1,000	1,000
FEMA Public Assistance Program for Severe Storms	-	-	3,131	3,131
Total revenue from the Federal Government	95,476	95,476	270,591	175,115
Revenue from the Commonwealth:				
Noncategorical aid:				
Aid to localities with police department	65,000	65,000	65,288	288
Total noncategorical aid	65,000	65,000	65,288	288
Categorical aid:				
Litter control	1,200	1,200	1,766	566
Fire prevention	8,000	8,000	8,000	-
Total categorical aid	9,200	9,200	9,766	566
Total revenue from the Commonwealth	74,200	74,200	75,054	854
Total general fund	2,273,833	2,273,833	2,598,735	324,902

(continued)



# Town of Hillsville, Virginia

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

For the Year Ended June 30, 2013

Schedule 1

Page 2

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Special revenue funds:				
CDBG Fund				
Revenue from local sources:				
Revenue from use of property	\$ 10,736	\$ 10,736	\$ 1,518	\$ (9,218)
Miscellaneous	-	-	4,786	4,786
Total revenue CDBG Fund	10,736	10,736	6,304	(4,432)
Total revenues	2,284,569	2,284,569	2,605,039	320,470
<b>Expenditures</b>				
Primary government:				
General fund:				
General governmental administration:				
Legislative:				
Town council	41,161	41,161	39,643	1,518
Total legislative	41,161	41,161	39,643	1,518
General and financial administration:				
Clerk of council	15	15	15	-
Manager	259,024	256,554	230,017	26,537
Legal services	23,520	34,530	32,410	2,120
Independent auditor	20,000	20,000	13,333	6,667
Treasurer	630	630	286	344
Accounting	7,025	7,325	7,791	(466)
Elections	-	-	-	-
Risk management	6,955	6,955	6,955	-
Data processing	22,700	22,700	15,693	7,007
Total general and financial administration	339,869	348,709	306,500	42,209
Total general government administration	381,030	389,870	346,143	43,727
Public safety:				
Law enforcement and traffic control:				
Police department	951,417	951,417	868,363	83,054
Fire and rescue services:				
Fire department	6,653	6,653	2,458	4,195
Ambulance and rescue service	2,800	3,533	3,457	76
Total fire and rescue services	9,453	10,186	5,915	4,271
Building inspections	69,340	69,340	66,457	2,883
Total public safety	1,030,210	1,030,943	940,735	90,208

(continued)

# Town of Hillsville, Virginia

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

For the Year Ended June 30, 2013

Schedule 1

Page 3

Expenditures	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 287,300	\$ 280,300	\$ 285,267	\$ (4,967)
Highway, street, bridge and sidewalk maintenance	37,400	37,400	15,440	21,960
Street lights	33,000	33,000	30,640	2,360
Total maintenance of highways, streets, bridges and sidewalks	357,700	350,700	331,347	19,353
Sanitation and waste removal:				
Refuse disposal	349,284	351,734	351,934	(200)
Maintenance of buildings and grounds:				
General properties	20,430	23,380	23,576	(196)
Total public works	727,414	725,814	706,857	18,957
Primary government:				
General fund:				
Community development:				
Planning and community development:				
Community development	153,830	110,539	97,075	13,464
Economic development	9,000	9,000	7,291	1,709
Transportation equity act of the 21 <sup>st</sup> century	90,476	331,444	331,444	-
Total community development	253,306	450,983	435,810	15,173
Non-departmental	93,050	98,865	69,304	29,561
Capital projects	336,250	124,785	26,030	98,755
Annexation expenses	-	-	-	-
Debt service:				
Principal retirement	84,837	85,007	84,993	14
Interest and fiscal charges	28,707	28,537	28,540	(3)
Total debt service	113,544	113,544	113,533	11
Total general fund	2,934,804	2,934,804	2,638,412	296,392
Special revenue funds:				
CDBG fund:				
Community development	34,847	34,847	348	34,499
Total expenditures	2,969,651	2,969,651	2,638,760	330,891
Excess revenues over expenditures	(685,082)	(685,082)	(33,721)	651,361
<b>Other financing sources and uses</b>				
Proceeds from debt	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Carryover balances	685,082	685,082	-	(685,082)
Total other financing sources and uses	685,082	685,082	-	(685,082)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	(33,721)	\$ (33,721)
Fund balance, beginning			1,181,764	
Fund balance, ending			\$ 1,148,043	

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

# Town of Hillsville, Virginia

Schedule 2

## Funding Progress for Benefit Plans

### Defined Pension Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 2,348,820	\$ 2,369,816	\$ 20,996	99.11%	\$ 952,225	2.20%
June 30, 2004	2,428,712	2,809,894	381,182	86.43	1,002,692	38.02
June 30, 2005	2,521,819	3,283,990	762,171	76.79	994,211	76.66
June 30, 2006	2,709,975	3,249,292	539,317	83.40	1,043,540	51.68
June 30, 2007	3,101,229	3,365,135	263,906	92.16	1,072,855	24.60
June 30, 2008	3,499,708	3,761,551	261,843	93.04	1,155,275	22.66
June 30, 2009	3,612,256	4,294,349	682,093	84.12	1,187,085	57.46
June 30, 2010	3,712,486	4,909,217	1,196,731	75.62	1,139,353	105.04
June 30, 2011	3,848,064	5,073,032	1,224,968	75.85	1,211,372	101.12
June 30, 2012	3,931,041	5,360,528	1,429,487	73.33	1,351,232	105.79

Analysis of the dollar amounts of net position available for benefits, pension benefit obligations, and unfunded pension benefit obligations in isolation can be misleading. Expressing the net position available for benefits as a percentage of the pension benefit obligations provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligations and annual covered payrolls are affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payrolls approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

### Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Estimated Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$ 158,800	\$ 158,800	0.00%	\$ 1,238,800	12.82%
June 30, 2013	-	221,900	221,900	0.00	1,306,900	16.98

\* Information is only available for the years presented.

# Town of Hillsville, Virginia

Schedule 3

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass Through Grantor/ Program Title/</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Agreement Numbers</u>	<u>Period Ended</u>	<u>Federal Expenditures</u>
<u>Department of Justice:</u>				
<u>Pass-through payments:</u>				
<u>Department of Criminal Justice Services</u>				
Local Law Enforcement Block Grant	16.738	12-N1048LO11	12/31/2012	\$ 3,349
<u>Department of Transportation:</u>				
<u>Pass-through payments:</u>				
<u>Department of Motor Vehicles</u>				
Highway Safety Grant	20.600	SC-2012-52294-4672	09/30/2012	3,613
Highway Safety Grant	20.600	SC-2013-53386-5101	09/30/2013	9,534
<u>Department of Transportation:</u>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Transportation</u>				
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users	20.205	EN01-237-112, PE101, RW201, C501		276,185
<u>National Endowment for the Arts:</u>				
<u>Pass-through payments:</u>				
<u>Virginia Commission for the Arts</u>				
Local Government Challenge Grant	45.025		06/30/13	1,000
<u>Department of Homeland Security</u>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Emergency Management</u>				
Virginia Severe Storms and Straight-line Winds (Derecho) Declaration	97.036	FEMA-4072-DR-VA	01/27/2013	3,767
<u>Department of Health and Human Services:</u>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Health</u>				
Oral Disease Prevention	93.283	U58DP002857/ 702Q332158	07/31/2013	3,589
Total				<u>\$ 301,037</u>

The accompanying schedule of expenditures of federal rewards includes the federal grant activity of the Town and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Town of Hillsville, Virginia

## Schedule 4

### Changes in Net Position

Last Nine Fiscal Years<sup>1</sup>

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Activities</b>									
Net position, beginning	\$ 1,920,987	\$ 1,659,801	\$ 1,840,322	\$ 1,920,821	\$ 1,968,740	\$ 1,841,907	\$ 1,688,767	\$ 1,593,663	\$ 1,544,136
Revenues	2,577,983	2,656,268	2,058,454	2,150,642	2,067,521	2,424,002	2,190,668	1,967,112	1,980,666
Expenses	(2,367,868)	(2,395,082)	(2,127,242)	(2,231,141)	(2,115,440)	(2,297,169)	(2,037,528)	(1,872,008)	(1,931,139)
Prior period adjustment	-	-	(111,733)	-	-	-	-	-	-
Net position, ending	\$ 2,131,102	\$ 1,920,987	\$ 1,659,801	\$ 1,840,322	\$ 1,920,821	\$ 1,968,740	\$ 1,841,907	\$ 1,688,767	\$ 1,593,663
<b>Business-type Activities</b>									
Net position, beginning	\$ 4,059,354	\$ 4,495,735	\$ 4,600,876	\$ 4,756,512	\$ 4,567,640	\$ 4,519,178	\$ 4,567,893	\$ 4,160,035	\$ 4,375,289
Revenues	1,101,100	1,121,094	1,579,275	1,562,805	1,612,598	1,445,116	1,391,196	1,814,527	1,290,532
Expenses	(1,554,224)	(1,557,475)	(1,645,749)	(1,718,441)	(1,423,726)	(1,396,654)	(1,439,911)	(1,406,669)	(1,505,786)
Prior period adjustment	-	-	(38,667)	-	-	-	-	-	-
Net position, ending	\$ 3,606,230	\$ 4,059,354	\$ 4,495,735	\$ 4,600,876	\$ 4,756,512	\$ 4,567,640	\$ 4,519,178	\$ 4,567,893	\$ 4,160,035
<b>Primary Government</b>									
Net position, beginning	\$ 5,980,341	\$ 6,155,536	\$ 6,441,198	\$ 6,677,333	\$ 6,536,380	\$ 6,361,085	\$ 6,256,660	\$ 5,753,698	\$ 5,919,425
Revenues	3,679,083	3,777,362	3,637,729	3,714,597	3,680,119	3,869,118	3,581,864	3,781,639	3,271,198
Expenses	(3,922,092)	(3,952,557)	(3,772,991)	(3,950,732)	(3,539,166)	(3,693,823)	(3,477,439)	(3,278,677)	(3,436,925)
Prior period adjustment	-	-	(150,400)	-	-	-	-	-	-
Net position, ending	\$ 5,737,332	\$ 5,980,341	\$ 6,155,536	\$ 6,441,198	\$ 6,677,333	\$ 6,536,380	\$ 6,361,085	\$ 6,256,660	\$ 5,753,698

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

# Town of Hillsville, Virginia

## Schedule 5

### Revenues by Function

Last Nine Fiscal Years<sup>1</sup>

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Activities</b>									
General Government									
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,993	\$ -
Public Safety									
Charges for services	56,175	38,982	26,949	48,537	24,519	43,469	30,191	18,489	16,893
Operating grants and contributions	73,288	93,328	104,241	98,742	107,981	98,018	102,834	90,651	79,224
Capital grants and contributions	15,732	30,000	-	-	-	-	-	-	-
Public Works									
Charges for services	1,012	333	495	148	57	-	88	3,975	5,825
Operating grants and contributions	1,766	1,223	1,461	1,267	1,602	1,645	1,358	1,598	-
Capital grants and contributions	3,131	-	-	-	-	-	-	-	-
Community Development									
Charges for services	-	-	-	-	-	-	38,959	12,842	9,838
Operating grants and contributions	-	-	1,000	-	1,775	33,936	87,698	11,442	-
Capital grants and contributions	251,728	94,728	-	-	-	199,321	-	-	-
General Revenues									
General property taxes	671,824	589,502	620,904	624,193	636,319	631,457	625,738	661,491	677,212
Meals tax	548,910	597,745	460,031	489,913	479,827	503,135	439,500	424,634	399,692
Other local taxes	772,850	871,245	779,294	794,882	721,088	733,458	624,908	628,224	544,050
Licenses and permits	1,249	1,561	1,234	1,442	1,177	2,742	2,989	2,006	1,143
Use of money and property	34,805	26,542	34,511	39,176	38,691	56,410	66,063	55,363	38,736
Miscellaneous	110,288	258,861	78,334	53,492	56,433	79,746	68,491	52,404	208,053
Gain (loss) on sale of capital assets	-	35,225	2,218	-	-	(1,948)	24,788	12,050	-
Transfers	-	50,000	(50,000)	(1,150)	-	15,877	89,801	-	-
Total governmental activities revenues	<u>\$ 2,577,983</u>	<u>\$ 2,656,268</u>	<u>\$ 2,058,454</u>	<u>\$ 2,150,642</u>	<u>\$ 2,067,521</u>	<u>\$ 2,424,002</u>	<u>\$ 2,190,668</u>	<u>\$ 1,967,112</u>	<u>\$ 1,980,666</u>
<b>Business-type Activities</b>									
Water									
Charges for services	\$ 434,064	\$ 442,525	\$ 492,129	\$ 456,253	\$ 499,015	\$ 480,067	\$ 486,669	\$ 499,374	\$ 432,994
Capital grants and contributions	3,589	511	-	-	275,000	48,750	1,250	-	-
Sewer									
Charges for services	627,851	661,214	659,169	828,198	759,485	821,304	802,224	827,531	684,794
Capital grants and contributions	636	-	246,871	220,475	15,000	-	69,187	403,465	84,510
General Business-type Revenues									
Use of money and property	4,840	13,557	20,590	41,550	36,548	56,103	74,146	21,042	22,479
Miscellaneous	29,543	53,153	110,516	19,369	29,067	38,892	47,521	63,115	65,755
Gain (loss) on sale of capital assets	-	577	134	-	(4,190)	(1,517)	-	-	-
Transfers	-	(50,000)	50,000	1,150	-	-	(89,801)	-	-
Total business-type activities revenues	<u>\$ 1,101,100</u>	<u>\$ 1,121,094</u>	<u>\$ 1,579,275</u>	<u>\$ 1,562,805</u>	<u>\$ 1,612,598</u>	<u>\$ 1,445,116</u>	<u>\$ 1,391,196</u>	<u>\$ 1,814,527</u>	<u>\$ 1,290,532</u>

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

# Town of Hillsville, Virginia

Schedule 6

## Expenses by Function

Last Nine Fiscal Years<sup>1</sup>

### 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>
2005	\$ 319,300	\$ 737,394	\$ 653,597	\$ 96,208	\$ 23,093	\$ 101,547	\$ 1,931,139
2006	328,740	779,039	584,537	142,955	21,503	15,234	1,872,008
2007	352,284	817,209	619,046	195,064	19,864	34,061	2,037,528
2008	361,530	829,491	634,583	367,439	18,200	85,926	2,297,169
2009	375,016	874,222	653,526	121,117	22,496	69,063	2,115,440
2010	403,329	924,227	704,297	148,363	24,347	26,578	2,231,141
2011	383,544	891,421	666,183	133,299	19,834	32,961	2,127,242
2012	498,977	1,053,610	660,234	105,485	23,316	53,460	2,395,082
2013	379,778	1,051,032	713,735	124,637	27,952	70,734	2,367,868

### Business-type Activities

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2005	\$ 527,989	\$ 977,797	\$ 1,505,786
2006	505,164	901,505	1,406,669
2007	548,564	891,347	1,439,911
2008	500,547	896,107	1,396,654
2009	525,368	898,358	1,423,726
2010	706,820	1,011,621	1,718,441
2011	640,918	1,004,831	1,645,749
2012	571,629	985,846	1,557,475
2013	559,511	994,713	1,554,224

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

# Town of Hillsville, Virginia

Schedule 7

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

### Assessed Valuation

Fiscal Year				Public Utility		Supplements/ Abatements/ Exemptions	Total
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property		
2004	\$ 105,207,889	\$ 21,119,375	\$ 29,706,850	\$ 6,417,872	\$ 18,700	\$ -	\$ 162,470,686
2005	141,685,200	20,594,015	25,549,348	12,687,171	25,262	(585,807)	199,955,189
2006	142,839,700	20,241,180	23,104,060	11,740,823	16,346	(654,623)	197,287,486
2007	144,563,200	20,317,179	13,419,325	9,422,584	-	(968,600)	186,753,688
2008	145,258,500	20,592,155	12,347,300	9,185,501	-	(842,678)	186,540,778
2009	178,476,300	23,079,670	11,535,210	10,805,994	-	(770,560)	223,126,614
2010	180,090,666	27,993,675	10,291,190	10,325,571	-	(733,629)	227,967,473
2011	180,566,500	26,956,320	9,317,500	9,529,213	-	(625,413)	225,744,120
2012	181,942,500	23,827,370	10,251,670	14,449,401	-	(1,158,789)	229,312,152
2013	225,995,700	25,949,900	9,309,765	10,552,720	24,836	(1,578,631)	270,254,290

Source: Carroll County, Virginia Commissioner of Revenue

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

Fiscal Year				Public Utility	
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property
2004	\$ .23	\$ .70	\$ .70	\$ .23	\$ .70
2005	.20	.70	.70	.20	.70
2006	.20	.70	.70	.20	.70
2007	.22	.72	.72	.22	.72
2008	.22	.72	.72	.22	.72
2009	.18	.72	.72	.18	.72
2010	.18	.72	.72	.18	.72
2011	.18	.72	.72	.18	.72
2012	.18	.72	.72	.18	.72
2013	.18	.72	.72	.18	.72



# Town of Hillsville, Virginia

Schedule 8

## Property Tax Levies and Collections

*Last Nine Fiscal Years*<sup>1</sup>

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>2</sup>	Percent of Levy		Amount <sup>2</sup>	Percent of Levy
2005	\$ 669,560	\$ 653,946	97.67%	\$ 11,996	\$ 665,942	99.46%
2006	608,431	595,080	97.80	10,221	605,301	99.49
2007	574,415	558,702	97.26	13,375	572,077	99.59
2008	571,355	560,103	98.03	8,524	568,627	99.52
2009	586,016	573,313	97.83	9,220	582,533	99.41
2010	614,436	599,261	97.53	9,950	609,211	99.15
2011	600,035	582,719	97.11	9,063	591,782	98.62
2012	594,107	579,967	97.62	6,768	586,735	98.76
2013	674,452	653,541	96.90	n/a	653,541	96.90

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

<sup>2</sup> Exclusive of penalties and interest.

# Town of Hillsville, Virginia

Schedule 9

## Outstanding Debt by Type

Last Nine Fiscal Years<sup>1</sup>

Fiscal Year	General Bonded Debt			Percentage of Actual Property Value
	General Obligation Bonds	Installment Notes	Total	
2005	\$ 216,940	\$ 370,700	\$ 587,640	0.29%
2006	195,641	347,353	542,994	0.28
2007	173,641	323,060	496,701	0.27
2008	150,941	297,814	448,755	0.24
2009	312,555	271,508	584,063	0.26
2010	281,578	244,084	525,662	0.23
2011	249,527	215,646	465,173	0.21
2012	163,851	807,277	971,128	0.42
2013	156,219	729,897	886,116	0.33

  

Fiscal Year	Business-type Activities			Total Primary Government
	Water Bonds	Sewer Bonds	Total	
2005	\$ 312,022	\$ 6,462,096	\$ 6,774,118	\$ 7,361,758
2006	293,238	6,260,427	6,553,665	7,096,659
2007	272,787	6,107,666	6,380,453	6,877,154
2008	252,312	5,950,297	6,202,609	6,651,364
2009	1,190,095	5,784,897	6,974,992	7,559,055
2010	1,449,610	5,611,291	7,060,901	7,586,563
2011	1,381,943	5,429,569	6,811,512	7,276,685
2012	1,352,925	5,500,212	6,853,137	7,824,265
2013	1,310,404	5,478,562	6,788,966	7,675,082

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

# Town of Hillsville, Virginia

## Schedule 10

### Computation of Legal Debt Margin

*Last Nine Fiscal Years*<sup>1</sup>

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limit <sup>2</sup>	\$ 23,654,842	\$ 19,639,190	\$ 19,009,571	\$ 19,041,624	\$ 18,928,229	\$ 15,444,400	\$ 15,398,578	\$ 15,458,052	\$ 15,437,237
Amount of debt applicable to limit	<u>7,675,082</u>	<u>7,824,265</u>	<u>7,276,685</u>	<u>7,586,563</u>	<u>7,559,055</u>	<u>6,651,364</u>	<u>6,877,154</u>	<u>7,096,659</u>	<u>7,361,758</u>
Legal debt margin	<u>\$ 15,979,760</u>	<u>\$ 11,814,925</u>	<u>\$ 11,732,886</u>	<u>\$ 11,455,061</u>	<u>\$ 11,369,174</u>	<u>\$ 8,793,036</u>	<u>\$ 8,521,424</u>	<u>\$ 8,361,393</u>	<u>\$ 8,075,479</u>
Total net debt applicable to limit as a percentage of debt limit	32%	40%	38%	40%	40%	43%	45%	46%	48%

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

<sup>2</sup> 10% of real estate assessed value.

# Town of Hillsville, Virginia

Schedule 11

## Population, Personal Income and Unemployment Rate

*Latest Available Information*<sup>1</sup>

<u>Year</u>	<u>Population</u>	<u>Household Median Income<sup>2</sup></u>	<u>Per Capita Personal Income<sup>2</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	2,681	n/a	n/a	10.6%
2012	2,704	40,213	17,823	8.6%
2013	2,709	30,922	18,070	8.4%

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.

<sup>2</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.

# Town of Hillsville, Virginia

Schedule 12

## Principal Employers Current Year

Employer	Employees	Rank
Bucyrus Caterpillar	100-299	1
Mt. Rogers Ind. & Dev. Center	100-299	2
Magnolia Manufacturing Co.	200	3
Barker MicroFarads	100-199	4
Mohawk Industries	108	5
APAC-Virginia	20-49	6
Salem Stone Corporation	20-49	7
Turman Sawmill	20-49	8
F&M Construction	20-49	9
Goad Lumber Company	1-19	10
Blue Ridge Concrete	1-10	11

# Town of Hillsville, Virginia

Schedule 13

## Full-time Equivalent Government Employees by Function

*Last Eight Years*<sup>1</sup>

	Full-time Equivalent Employees as of June 30,							
	2013	2012	2011	2010	2009	2008	2007	2006
General government								
Management	1	1	1	1	1	1	1	1
Finance	4	4	4	4	4	4	4	4
Building	1	1	1	1	1	1	1	1
Police								
Officers	12	12	11	11	11	11	11	11
Civilians	1	1	1	1	1	1	1	1
Refuse collection	4	4	4	4	4	4	4	4
Other public works	5	5	5	5	5	5	5	5
Water	4.5	4.5	5	5	5	5	5	5
Wastewater	4.5	4.5	4	4	4	4	4	4

<sup>1</sup> Data is not readily available for years prior to the adoption of SGAS No. 34 and 44.