

**TOWN OF HAMILTON, VIRGINIA**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

**TOWN OF HAMILTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015**

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**TOWN OF HAMILTON, VIRGINIA  
JUNE 30, 2015**

**MAYOR AND TOWN COUNCIL**

David R. Simpson, Mayor

Kenneth C. Wine, Vice Mayor  
Matthew L. Clark  
Craig M. Green

Dimitri N. Kesari  
Michael E. Snyder  
John D.Unger

**OFFICIALS**

Lori M. Jones, CPA, Treasurer  
Daniel S. Galindo, AICP, Zoning Administrator  
Jennifer Noel, Recorder

**LEGAL COUNSEL**

Maureen K. Gilmore

## **FINANCIAL SECTION**

**MITCHELL & Co., P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JEFFREY D. MITCHELL, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of Town Council  
Town of Hamilton, Virginia  
Hamilton, Virginia

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 Town of Hamilton, Virginia, as of and for the year ended June 30, 2015, 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. 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.

**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 Hamilton, Virginia, as of June 30, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–11 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 Hamilton, Virginia's, basic financial statements. The accompanying information listed in the table of contents as supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical section has 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.

October 15, 2015  
Leesburg, Virginia

*Mitchell & Co., P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hamilton, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Hamilton, Virginia for the fiscal year ended June 30, 2015.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,703,546.
- The Town's total net position decreased by \$9,254.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$1,181,544, a decrease of \$13,075 in comparison with the prior year. The majority of this total amount, \$975,729 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$333,325 (30.3 percent) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Hamilton, Virginia's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Town, assets and deferred outflows of resources, and, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Hamilton that are principally supported by taxes and intergovernmental revenues, (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities). The governmental activities of the Town of Hamilton include general government, public safety, and public works. The business-type activities of the Town include water and sewer.

The government-wide financial statements can be found on pages 12 – 13 of this report.

**Fund financial statements.** 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 of Hamilton, Virginia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Hamilton, Virginia maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Hamilton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 – 17 of this report.

**Proprietary funds.** The Town of Hamilton, Virginia uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds include the water fund and sewer fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found starting on pages 18 – 20 of this report.

**Notes to the financial statements.** The notes 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 can be found on pages 21 – 54 of this report.

**Supplementary Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57 – 60 of this report. Additional state required supplementary schedules follow the combining and individual fund statements and can be found on page 62 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hamilton, Virginia, assets exceeded liabilities by \$9,703,547 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Hamilton uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net position by type of activity as of June 30, 2015.

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**Town of Hamilton – Net Position**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 1,013,531	\$ 2,262,912	\$ 3,276,443
Capital assets	185,786	7,119,761	7,305,547
Total Assets	1,199,317	9,382,673	10,581,990
 Deferred Outflows of Resources	 6,886	 57,806	 64,692
<b>Liabilities</b>			
Long-term liabilities	9,613	755,803	765,416
Other liabilities	6,431	116,658	123,089
Total Liabilities	16,044	872,461	888,505
 Deferred Inflows of Resources	 8,615	 46,016	 54,631
<b>Net Position</b>			
Nonspendable	185,786	6,351,784	6,537,570
Restricted	20,029	-	20,029
Unrestricted	975,729	2,170,218	3,145,947
Total Net Position	\$ 1,181,544	\$ 8,522,002	\$ 9,703,546

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The remaining balance of assigned and unassigned net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Hamilton is able to report positive balances in all three categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

The Town's net position decreased by \$9,254 during the current fiscal year.

**Governmental activities.** Governmental activities decreased the Town of Hamilton’s net position by \$13,075. These changes are presented in column one of the following table:

**Town of Hamilton – Changes in Net Position**

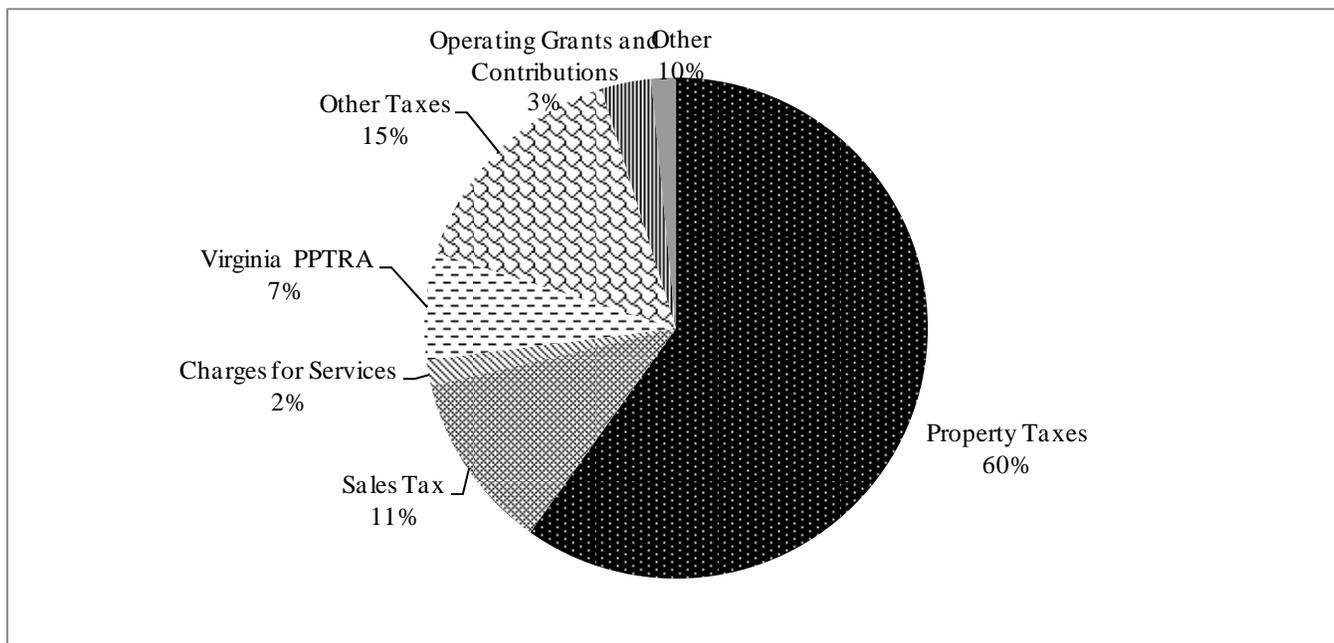
	Governmental Activities	Business-type Activities	Total
<b>Program Revenues</b>			
Charges for services	\$ 5,675	\$ 682,119	\$ 687,794
Operating grants and contributions	11,059	-	11,059
Capital grants and contributions	-	155,413	155,413
<b>General Revenues</b>			
Property taxes	205,084	-	205,084
Other taxes	115,350	-	115,350
Other	5,420	75,762	81,182
Total Revenues	342,588	913,294	1,255,882
<b>Expenses</b>			
General government	260,131	-	260,131
Public safety	17,089	-	17,089
Public works	71,935	-	71,935
Infrastructure depreciation	6,604	-	6,604
Water	-	462,611	462,611
Sewer	-	446,766	446,766
Total Expenses	355,759	909,377	1,265,136
Transfers	96	(96)	-
Increase (Decrease) in Net Position	(13,075)	3,821	(9,254)
Net Position - beginning	1,205,975	8,558,707	9,764,682
GASB Statement No. 68 reporting	(11,356)	(40,526)	(51,882)
Net Position - ending	\$ 1,181,544	\$ 8,522,002	\$ 9,703,546

- Loudoun County grant income decreased by \$30,000 from the prior year.

The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2015.

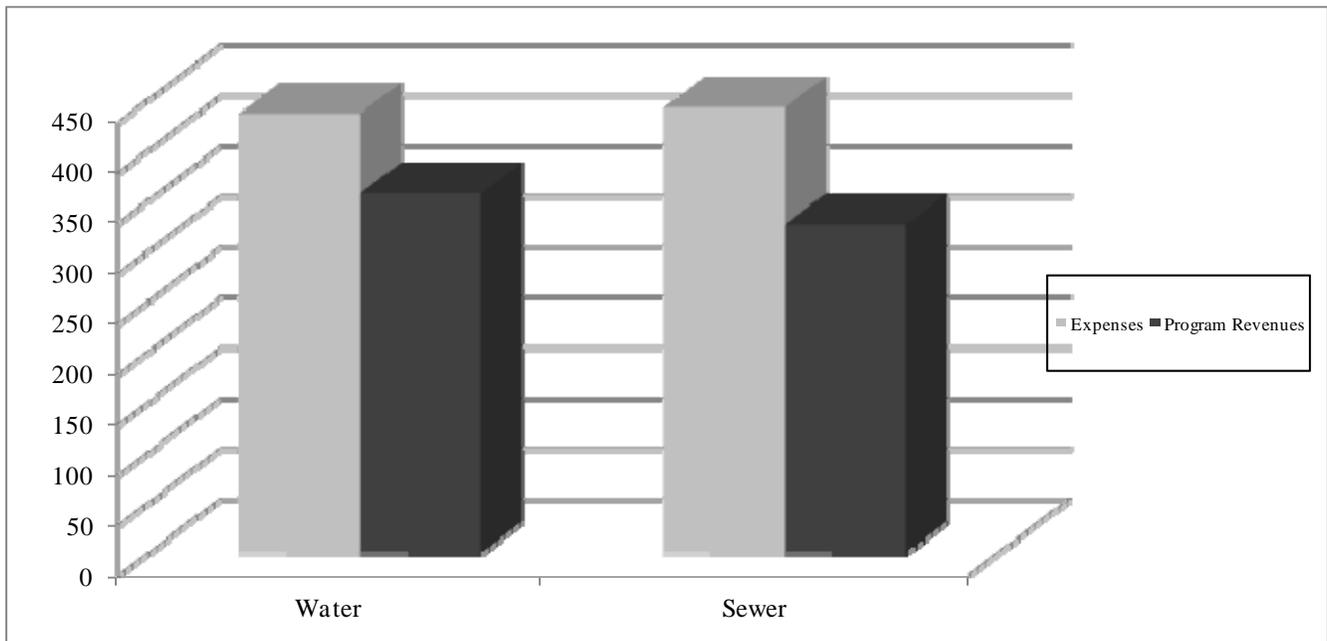
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### Revenues by Source – Governmental Activities

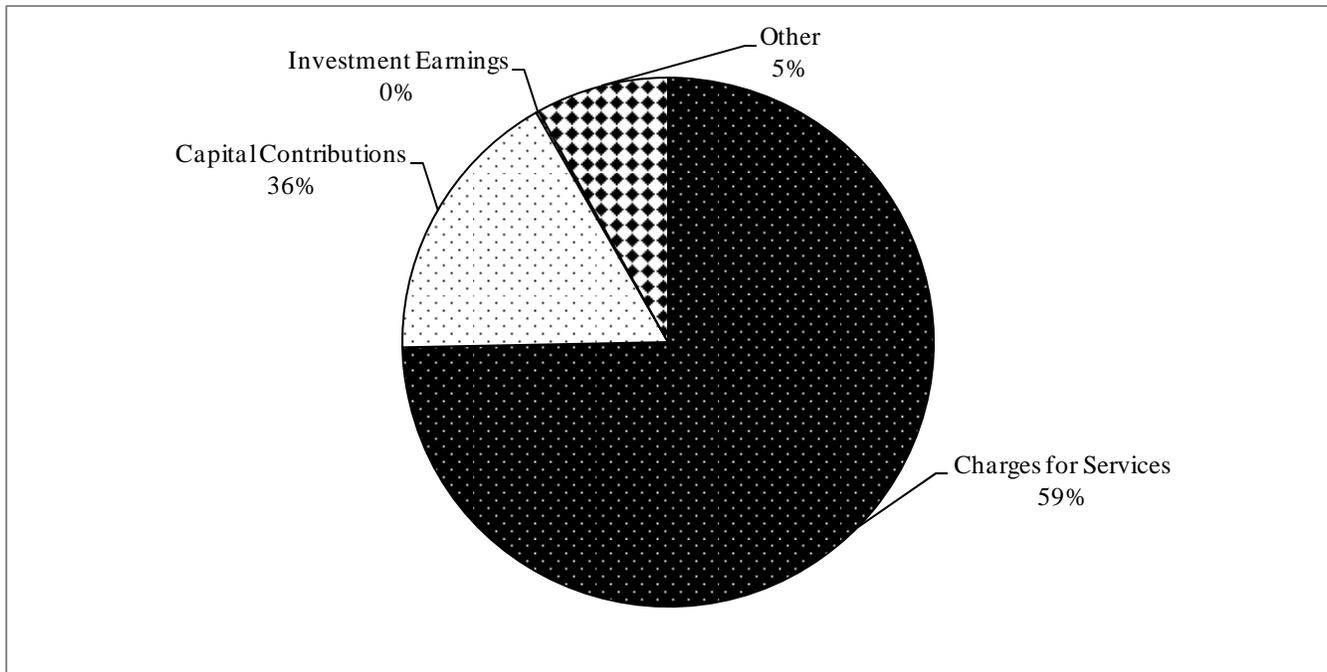


**Business-type activities.** Business-type activities increased the Town of Hamilton's net position by \$3,821, accounting for 98.3 percent of the increase in the Town's net position.

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the Town of Hamilton's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the

Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$999,795, an increase of \$4,625 in comparison with the prior year. The majority of this total amount (\$964,441) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$35,354) is restricted to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

The general fund is the chief operating fund of the Town of Hamilton, Virginia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$964,441 and the nonspendable fund balance of the general fund was \$15,325. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$964,441 is close to 3 times the total general fund expenditures of \$323,540.

The fund balance of the Town of Hamilton, Virginia's general fund increased by \$9,617 during the current fiscal year.

**Proprietary funds.** The Town of Hamilton, Virginia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the water fund at the end of the year amounted to \$4,422,941 and those for the sewer fund amounted to \$4,099,061. The total increase in net position for proprietary funds was \$3,921. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Hamilton, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$7,305,547 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and roads.

Major capital asset events during the current fiscal year include the following:

- Truck purchase
- Water meters

The table below summarizes the capital assets of the Town at June 30, 2015.

<b>Town of Hamilton – Capital Assets (Net of accumulated depreciation)</b>			
	Governmental Activities	Business-type Activities	Total
Land	\$ 116,959	\$ 421,162	\$ 538,121
Buildings and improvements	33,739	156,577	190,316
Utility distribution systems	-	6,386,054	6,386,054
Machinery and equipment	24,981	155,968	180,949
Infrastructure	10,107	-	10,107
<b>TOTAL</b>	<b>\$ 185,786</b>	<b>\$ 7,119,761</b>	<b>\$ 7,305,547</b>

Additional information on the Town of Hamilton capital assets can be found in note III. D on pages 30 – 31 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Hamilton, Virginia had total bonded debt outstanding of \$767,977. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

The Town of Hamilton’s total debt decreased by \$333,325 (30.3 percent) during the current fiscal year. The key factor in this decrease was the fact that debt was paid down during the current fiscal year, with an additional payment on principal.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Hamilton is \$7,235,260, which is in excess of the Town’s outstanding general obligation debt.

Additional information on the Town of Hamilton’s long-term debt can be found in note III. E on pages 32 – 33 of this report.

**Requests for Information**

This report is designed to provide a general overview of the Town of Hamilton’s finances for all those with an interest in the government’s financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town of Hamilton, 53 East Colonial Highway, PO Box 130, Hamilton, Virginia 20159-0130.

**TOWN OF HAMILTON, VIRGINIA**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 286,953	\$ 1,226,471	\$ 1,513,424
Certificate of deposits	534,638	780,774	1,315,412
Investments	162,551	145,843	308,394
Receivables			
Delinquent taxes, including penalties	4,658	-	4,658
Accrued interest	5	12	17
Accounts	2,607	95,173	97,780
Due from other governments	6,794	-	6,794
Prepays and other	15,325	14,639	29,964
Capital assets (net of accumulated depreciation):			
Land	116,959	421,162	538,121
Buildings and improvements	33,739	156,577	190,316
Utility distribution systems	-	6,386,054	6,386,054
Machinery and equipment	24,981	155,968	180,949
Infrastructure	10,107	-	10,107
<b>Total Assets</b>	<b>1,199,317</b>	<b>9,382,673</b>	<b>10,581,990</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunded debt	-	36,419	36,419
Deferred pension obligation	6,886	21,387	28,273
<b>Total Deferred Outflows</b>	<b>6,886</b>	<b>57,806</b>	<b>64,692</b>
<b>Liabilities</b>			
Accounts payable	6,431	10,260	16,691
Accrued interest payable	-	8,421	8,421
Noncurrent liabilities:			
Due within one year	-	97,977	97,977
Due in more than one year	9,613	755,803	765,416
<b>Total Liabilities</b>	<b>16,044</b>	<b>872,461</b>	<b>888,505</b>
<b>Deferred Inflows of Resources</b>			
Deferred connection fees	-	17,500	17,500
Deferred pension inflow	8,615	28,516	37,131
<b>Total Deferred Inflows</b>	<b>8,615</b>	<b>46,016</b>	<b>54,631</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	185,786	6,351,784	6,537,570
Restricted	20,029	-	20,029
Unrestricted	975,729	2,170,218	3,145,947
<b>Total Net Position</b>	<b>\$ 1,181,544</b>	<b>\$ 8,522,002</b>	<b>\$ 9,703,546</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants	Capital Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 260,131	\$ -	\$ 1,059	\$ -	\$ (259,072)	\$ -	\$ (259,072)
Public safety	17,089	-	10,000	-	(7,089)	-	(7,089)
Public works	71,935	-	-	-	(71,935)	-	(71,935)
Planning and zoning	-	5,675	-	-	5,675	-	5,675
Infrastructure depreciation	6,604	-	-	-	(6,604)	-	(6,604)
Total Governmental Activities	355,759	5,675	11,059	-	(339,025)	-	(339,025)
Business-type activities:							
Water	462,611	356,486	-	-	-	(106,125)	(106,125)
Sewer	446,766	325,633	-	155,413	-	34,280	34,280
Total Business-Type Activities	909,377	682,119	-	155,413	-	(71,845)	(71,845)
Total Primary Government	\$ 1,265,136	\$ 687,794	\$ 11,059	\$ 155,413	(339,025)	(71,845)	(410,870)
General Revenues:							
Property taxes					205,084	-	205,084
Sales taxes					39,211	-	39,211
Business and occupational taxes					12,074	-	12,074
Consumer taxes					29,225	-	29,225
Virginia personal property tax reduction					23,496	-	23,496
Motor vehicle licenses					11,344	-	11,344
Miscellaneous					4,221	-	4,221
Unrestricted investment earnings					1,199	1,471	2,670
Lease income					-	74,291	74,291
Transfers in (out)					96	(96)	-
Total general revenues					325,950	75,666	401,616
Change in net position					(13,075)	3,821	(9,254)
Net position - beginning					1,205,975	8,558,707	9,764,682
GASB Statement No. 68 reporting restatement					(11,356)	(40,526)	(51,882)
Net position - ending					\$ 1,181,544	\$ 8,522,002	\$ 9,703,546

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

**TOWN OF HAMILTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 275,928	\$ 11,025	\$ 286,953
Certificates of deposit	525,634	9,004	534,638
Investments	162,551	-	162,551
Receivables:			
Property taxes	4,658	-	4,658
Accrued interest	5	-	5
Other	2,607	-	2,607
Due from other governments	6,794	-	6,794
Prepays and other	15,325	-	15,325
<b>Total Assets</b>	<b>993,502</b>	<b>20,029</b>	<b>1,013,531</b>
<b>Liabilities</b>			
Accounts payable	6,431	-	6,431
Compensated absences payable	3,817	-	3,817
<b>Total Liabilities</b>	<b>10,248</b>	<b>-</b>	<b>10,248</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	3,488	-	3,488
<b>Fund Balances</b>			
Nonspendable			
Prepaid expenses	15,325	-	15,325
Restricted			
Community park	-	17,280	17,280
Fire program	-	2,749	2,749
Unassigned	964,441	-	964,441
<b>Total Fund Balances</b>	<b>979,766</b>	<b>20,029</b>	<b>999,795</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 993,502</b>	<b>\$ 20,029</b>	

Amounts reported for governmental activities in the statement of Net Position are

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	185,786
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,488
Pension obligation reporting	<u>(7,525)</u>
Net position of governmental activities	<u>\$ 1,181,544</u>

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
General property taxes	\$ 205,565	\$ -	\$ 205,565
Other local taxes	79,780	-	79,780
Permits, licenses, and fees	17,749	-	17,749
Interest	1,191	8	1,199
Intergovernmental	24,555	10,000	34,555
Miscellaneous	4,221	-	4,221
<b>Total revenues</b>	<b>333,061</b>	<b>10,008</b>	<b>343,069</b>
<b>Expenditures</b>			
General government administration	252,680	-	252,680
Public works	68,860	-	68,860
Public safety	2,000	15,000	17,000
<b>Total expenditures</b>	<b>323,540</b>	<b>15,000</b>	<b>338,540</b>
<b>Net change in fund balances</b>	<b>9,521</b>	<b>(4,992)</b>	<b>4,529</b>
<b>Other Financing Sources (Uses)</b>			
Transfers (out) in	96	-	96
<b>Total other financing sources (uses)</b>	<b>96</b>	<b>-</b>	<b>96</b>
<b>Net change in fund balances</b>	<b>9,617</b>	<b>(4,992)</b>	<b>4,625</b>
<b>Fund balances - beginning</b>	<b>970,149</b>	<b>25,021</b>	<b>995,170</b>
<b>Fund balances - ending</b>	<b>\$ 979,766</b>	<b>\$ 20,029</b>	<b>\$ 999,795</b>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$ 4,625
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(21,050)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(481)
Pension funding obligation is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, pension obligation requirements are not reported as a liability in the governmental funds.	<u>3,831</u>
Change in net position of governmental activities	<u><u>\$ (13,075)</u></u>

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

**TOWN OF HAMILTON, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	<b>Original &amp; Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
General property taxes	\$ 198,980	\$ 205,565	\$ 6,585
Other local taxes	80,000	79,780	(220)
Permits, fees, and licenses	12,000	17,749	5,749
Interest	1,527	1,191	(336)
Miscellaneous	3,794	4,221	427
Intergovernmental	24,696	24,555	(141)
<b>Total Revenues</b>	<b>320,997</b>	<b>333,061</b>	<b>12,064</b>
<b>Expenditures</b>			
General government administration	279,961	252,680	27,281
Public safety donations	2,000	2,000	-
Public works	70,800	68,860	1,940
<b>Total Expenditures</b>	<b>352,761</b>	<b>323,540</b>	<b>29,221</b>
<b>Excess (deficiency) of Revenues over Expenditures</b>	<b>(31,764)</b>	<b>9,521</b>	<b>41,285</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	-	96	96
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>96</b>	<b>96</b>
<b>Net change in fund balance</b>	<b>(31,764)</b>	<b>9,617</b>	<b>41,381</b>
<b>Fund balance - beginning</b>	<b>970,149</b>	<b>970,149</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 938,385</b>	<b>\$ 979,766</b>	<b>\$ 41,381</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 503,672	\$ 471,716	\$ 722,799	\$ 769,496	\$ 1,226,471
Certificates of deposit	141,146	140,971	639,628	638,887	780,774
Investments	24,027	24,000	121,816	121,679	145,843
Accounts receivable	45,384	45,612	49,789	49,619	95,173
Intergovernmental receivable	-	-	-	67,218	-
Accrued interest receivable	2	13	10	65	12
Prepaid expenses	8,140	8,360	6,499	7,275	14,639
Total current assets	722,371	690,672	1,540,541	1,654,239	2,262,912
Noncurrent assets					
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,477,907	5,477,907	3,771,500	3,771,500	9,249,407
Equipment	359,254	341,600	363,991	351,509	723,245
Less accumulated depreciation	(1,802,566)	(1,633,697)	(2,404,094)	(2,270,236)	(4,206,660)
Total capital assets (net of accumulated depreciation)	4,448,343	4,599,558	2,671,418	2,792,794	7,119,761
Total noncurrent assets	4,448,343	4,599,558	2,671,418	2,792,794	7,119,761
<b>Total Assets</b>	<b>5,170,714</b>	<b>5,290,230</b>	<b>4,211,959</b>	<b>4,447,033</b>	<b>9,382,673</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunded debt	20,858	23,837	15,561	17,784	36,419
Deferred pension obligation	10,436	-	10,951	-	21,387
	31,294	23,837	26,512	17,784	57,806
<b>Liabilities</b>					
Current liabilities					
Accounts payable	5,900	2,843	4,360	10,657	10,260
Accrued interest payable	7,545	8,057	876	6,109	8,421
General obligation bonds - current	85,500	81,000	12,477	113,791	97,977
Total current liabilities	98,945	91,900	17,713	130,557	116,658
Noncurrent liabilities					
Compensated absences	6,902	5,950	8,149	7,822	15,051
Premium on bonds	46,414	53,044	5,155	5,892	51,569
General obligation bonds payable	603,000	688,500	67,000	218,012	670,000
Unfunded pension liability	9,574	-	9,609	-	19,183
Total noncurrent liabilities	665,890	747,494	89,913	231,726	755,803
<b>Total Liabilities</b>	<b>764,835</b>	<b>839,394</b>	<b>107,626</b>	<b>362,283</b>	<b>872,461</b>
<b>Deferred Inflows of Resources</b>					
Deferred connection fees	-	-	17,500	18,500	17,500
Deferred pension inflow	14,232	-	14,284	-	28,516
	14,232	-	31,784	18,500	46,016
<b>Net Position</b>					
Invested in capital assets, net of related debt	3,759,843	3,830,059	2,591,941	2,460,991	6,351,784
Unrestricted	663,098	644,614	1,507,120	1,623,043	2,170,218
<b>Total Net Position</b>	<b>\$ 4,422,941</b>	<b>\$ 4,474,673</b>	<b>\$ 4,099,061</b>	<b>\$ 4,084,034</b>	<b>\$ 8,522,002</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-type Activities - Enterprise Funds				
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Totals Current Year
<b>Operating revenues</b>					
Charges for services	\$ 344,289	\$ 307,731	\$ 316,978	\$ 304,491	\$ 661,267
Connection fees	-	37,400	1,000	61,000	1,000
Miscellaneous revenue	12,197	11,583	7,655	6,179	19,852
Total operating revenues	356,486	356,714	325,633	371,670	682,119
<b>Operating expenses</b>					
Personal service	113,400	95,609	107,635	93,045	221,035
Fringe benefits	25,983	28,596	29,439	34,086	55,422
Depreciation	171,178	164,919	134,483	135,622	305,661
Truck expense	4,004	2,322	4,004	2,322	8,008
Supplies	6,183	5,823	67,462	60,114	73,645
Repairs and maintenance	40,960	31,158	59,631	55,313	100,591
Water system integration	31,860	29,205	-	-	31,860
Utilities	29,855	36,558	28,065	29,627	57,920
Insurance	6,268	6,509	6,268	6,508	12,536
Telephone	1,334	926	3,721	3,830	5,055
Other charges	4,546	3,515	635	479	5,181
Total operating expenses	435,571	405,140	441,343	420,946	876,914
Operating income (loss)	(79,085)	(48,426)	(115,710)	(49,276)	(194,795)
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	616	800	855	1,819	1,471
Lease income	74,291	64,548	-	-	74,291
Accounting charge on refinance	(2,979)	(2,979)	(2,223)	(2,223)	(5,202)
Interest expense	(24,061)	(26,045)	(3,200)	(13,304)	(27,261)
Total nonoperating revenue (expenses)	47,867	36,324	(4,568)	(13,708)	43,299
Income before contributions and transfers	(31,218)	(12,102)	(120,278)	(62,984)	(151,496)
<b>Transfers and contributions</b>					
Capital contributions	-	199,100	155,413	367,518	155,413
Transfers in (out)	(47)	(2,463)	(49)	750	(96)
<b>Change in net position</b>	(31,265)	184,535	35,086	305,284	3,821
<b>Total net position - beginning of year</b>	4,474,673	4,290,138	4,084,034	3,778,750	8,558,707
<b>GASB Statement No. 68 reporting restatement</b>	(20,467)	-	(20,059)	-	(40,526)
<b>Total net position - end of year</b>	\$ 4,422,941	\$ 4,474,673	\$ 4,099,061	\$ 4,084,034	\$ 8,522,002

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 431,005	\$ 392,681	\$ 823,686
Payments to suppliers	(128,831)	(182,425)	(311,256)
Payments to employees	(138,431)	(136,747)	(275,178)
Net cash provided by operating activities	<u>163,743</u>	<u>73,509</u>	<u>237,252</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund transfers	(47)	(49)	(96)
Net cash (used in) capital and related financing activities	<u>(47)</u>	<u>(49)</u>	<u>(96)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	-	155,413	155,413
Acquisition and construction of capital assets	(19,962)	(13,999)	(33,961)
Principal paid on capital debt	(81,000)	(252,325)	(333,325)
Interest paid on capital debt	(31,203)	(9,278)	(40,481)
Net cash (used in) capital and related financing activities	<u>(132,165)</u>	<u>(120,189)</u>	<u>(252,354)</u>
<b>Cash Flows from Investing Activities</b>			
(Purchases) redemption of certificates of deposit	(175)	(741)	(916)
Interest and dividends received	627	910	1,537
Net cash provided by investing activities	<u>452</u>	<u>169</u>	<u>621</u>
Net increase (decrease) in cash and cash equivalents	31,983	(46,560)	(14,577)
Cash and cash equivalents July 1, 2014	<u>495,716</u>	<u>891,175</u>	<u>1,386,891</u>
Cash and cash equivalents June 30, 2015	<u>\$ 527,699</u>	<u>\$ 844,615</u>	<u>\$ 1,372,314</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (79,085)	\$ (115,710)	\$ (194,795)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	171,178	134,483	305,661
Lease income	74,291	-	74,291
(Increase) decrease in accounts receivable	228	67,048	67,276
(Increase) decrease in prepaid and other assets	220	776	996
(Increase) decrease in deferred pension obligation	(10,436)	(10,951)	(21,387)
Increase (decrease) in operating accounts payable	3,057	(6,297)	(3,240)
Increase (decrease) in compensated absences	952	327	1,279
Increase (decrease) in pension liability	3,338	3,833	7,171
Total adjustments	<u>242,828</u>	<u>189,219</u>	<u>432,047</u>
Net cash provided by operating activities	<u>\$ 163,743</u>	<u>\$ 73,509</u>	<u>\$ 237,252</u>

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

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hamilton, Virginia (the “Town”) was established in 1875. The Town is governed by a mayor and a six-member Town Council, who are elected at large for a four year term.

The financial statements of the Town of Hamilton, Virginia (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant policies is presented to assist the reader in interpreting the financial statements and other data contained in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

#### A. Reporting Entity

The Town is an incorporated municipal government governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined at appointment of voting majority of the component unit’s board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined that there are no component units requiring inclusion in the Town’s reporting.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) 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 proprietary funds are reported as separate columns in the fund financial statements.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as are the proprietary fund 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.

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 government considers revenues to be available if they are collected within 45 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 are not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to 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 government.

The government 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.

Additionally, the government reports the following non-major government funds:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

The government reports the following major proprietary funds:

The *water and sewer funds* account for the activities of the Town's water and sewer operations.

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 2, 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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services.

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

When restricted, assigned and unassigned resources are available for use, it is the government's policy to use restricted resources first, then assigned, then unassigned resources as they are needed.

#### D. Assets, Liabilities Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

##### 1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which approximates cost due to the short-term nature of the investment maturities.

##### 2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined using historical collection data and account analysis.

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Real estate taxes are levied annually on January 1 and are due in semi-annual installments on June 5 and December 5. Personal property taxes are levied annually on January 1 and are due October 5.

Collections of real and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended, in accordance with the standards established by the Auditor of Public Accounts of the Commonwealth of Virginia. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

**3. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town has adopted GASB Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*, which requires all identifiable intangible assets not excluded by its scope provisions be classified as capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Type of Asset	Years
Buildings	25
Improvements other than buildings	10
Equipment and vehicles	5 – 10
Infrastructure	30
Utility distribution systems	10 – 50

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund.

#### 5. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts of debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town of Hamilton has two items that qualify for reporting in this category: (1) Deferred charge on refunding debt reported in the proprietary funds financial statement of net position and government wide financial statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; and, (2) Deferred pension obligation reporting in the proprietary funds financial statement of net position and in the governmental and business-type activities in the government wide financial statement of net position. A deferred charge pension obligation results from advance payments on the pension funding prior to the actuarial report establishing the funding requirement.

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town of Hamilton has three items which qualify for reporting in this category: (1) Under modified accrual basis of accounting under the governmental funds, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available; and, (2) Deferred pension inflow reported in the proprietary funds financial statement of net position and in the governmental and business-type activities in the government wide financial statement of net position. The deferred pension inflow results from the net difference between projected and actual earnings on plan investments; and (3) Deferred connection fees reported in proprietary funds financial statement of net position and in the business-type activities in the government wide financial statement of net position. The amounts are reported in income when service connection is made.

#### 7. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Fund Equity (Continued)**

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

**8. Net Position**

Net position is the difference between, assets and deferred outflows of resources, and, liabilities and deferred inflows of resources. Net position invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

**9. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**10. Comparative Data**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

**11. Pensions**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end. Budgets for the enterprise funds serve as a spending guide and do not constitute legally binding limitations.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information (Continued)**

Before June 30, the proposed budget is presented to Town Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30. The appropriated budget is prepared by fund, function, and department. The Town's council made no supplemental budgetary appropriations during the year.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2015, expenditures did not exceed appropriations in any of the general fund departments.

**A. Deposits and Investments**

*Deposits*

At year-end June 30, 2015 the carrying amount of the Town's deposits with banks and savings institutions was \$2,828,736 and the bank balance was \$2,832,684.

All of the Town's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC 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 limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying localities of compliance by banks and savings and loans. The funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below as to credit risk.

*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, prime quality commercial paper and certain qualifying corporate notes, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Pool.

As of June 30, 2015, the Town had the following investments:

Type	Carrying Amount	Fair Value
LGIP Fund	\$ 308,394	\$ 308,394

*Interest rate risk.* In accordance with its investment policy, the government manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**A. Deposits and Investments (Continued)**

*Custodial credit risk.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments of the government have a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the government's brokerage firm or outside custodian which is also the counterparty for these particular securities. The Town's investment policy provides for annual review of custodian and selecting custodians that have annual 3rd party audits of their custodian accounts and financial internal accounting control.

*Credit risk.* State Law limits investments in commercial paper and corporate bonds to the top rating issued by nationally recognized statistical rating organizations. It is the Town's policy to limit its investments in these types of investments to the state Law. As of June 30, 2015, the Town's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's.

*Concentration of credit risk.* The Town's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the Town's total investments.

A reconciliation of cash on hand, bank deposits and investments is as follows:

Footnote Classification	Combined Balance Sheet Classifications		
	Total	Cash and cash equivalents	Non-cash and cash equivalents
Petty cash	\$ 100	\$ 100	\$ -
Bank deposits	2,828,736	1,513,324	1,315,412
Investments	308,394	308,394	-
<b>Total</b>	<b>\$ 3,137,230</b>	<b>\$ 1,821,818</b>	<b>\$ 1,315,412</b>

**B. Receivables**

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water	Sewer	Total
Receivables:				
Delinquent property taxes	\$ 4,658	\$ -	\$ -	\$ 4,658
Accounts				
Billed	2,607	15,190	20,908	38,705
Unbilled	-	30,119	28,881	59,000
Interest	5	2	10	17
Intergovernmental	6,794	-	-	6,794
Other	-	75	-	75
<b>Net total receivables</b>	<b>\$ 14,064</b>	<b>\$ 45,386</b>	<b>\$ 49,799</b>	<b>\$ 109,249</b>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**B. Receivables (Continued)**

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$3,488 representing delinquent property taxes in the general fund.

**C. Due from Other Governments**

At June 30, 2015 amounts due from other governments were as follows:

Description/Payer	General
Loudoun County, Virginia - Sales tax	\$ 6,794

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 116,959	\$ -	\$ -	\$ 116,959
Total capital assets, not being depreciated	116,959	-	-	116,959
Capital assets, being depreciated:				
Buildings and improvements	113,030	-	-	113,030
Furniture and fixtures	970	-	-	970
Equipment	96,140	-	-	96,140
Infrastructure	167,715	-	-	167,715
Total capital assets being depreciated	377,855	-	-	377,855
Less accumulated depreciation for:				
Buildings and improvements	(72,882)	(6,409)	-	(79,291)
Furniture and fixtures	473	-	-	473
Equipment	(64,565)	(8,037)	-	(72,602)
Infrastructure	(151,004)	(6,604)	-	(157,608)
Total accumulated depreciation	(287,978)	(21,050)	-	(309,028)
Net capital assets being depreciated	89,877	(21,050)	-	68,827
Governmental capital assets, net	\$ 206,836	\$ (21,050)	\$ -	\$ 185,786

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**D. Capital Assets (Continued)**

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 421,162	\$ -	\$ -	\$ 421,162
Total capital assets, not being depreciated	421,162	-	-	421,162
Capital assets, being depreciated:				
Buildings and improvements	932,607	-	-	932,607
Utility distribution systems	5,726,651	-	-	5,726,651
Water treatment plant	3,522,756	-	-	3,522,756
Equipment	693,109	33,961	(3,825)	723,245
Total capital assets being depreciated	10,875,123	33,961	(3,825)	10,905,259
Less accumulated depreciation for:				
Buildings and improvements	(739,727)	(36,303)	-	(776,030)
Utility distribution systems	(2,230,447)	(148,354)	-	(2,378,801)
Water treatment plant	(395,675)	(88,877)	-	(484,552)
Equipment	(538,084)	(32,127)	2,934	(567,277)
Total accumulated depreciation	(3,903,933)	(305,661)	2,934	(4,206,660)
Net capital assets being depreciated	6,971,190	(271,700)	(891)	6,698,599
Business-type activities capital assets, net	\$ 7,392,352	\$ (271,700)	\$ (891)	\$ 7,119,761

Depreciation expense was charged to functions/programs of the primary government as follows:

Activity	Depreciation
Governmental activities:	
General government administration	\$ 6,409
Public works	8,037
Infrastructure depreciation	6,604
Total depreciation expense - governmental activities	\$ 21,050
Business-type activities:	
Water	\$ 171,178
Sewer	134,483
Total depreciation expense - business-type activities	\$ 305,661

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**E. Long-Term Debt**

*General Obligation Bonds.* The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds as they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

General obligation bonds and notes outstanding at June 30, 2015 are as follows:

Description	Amount
\$2,542,000, 1999 Revenue Bond; 1999, 2000, 2001 and 2002 drawdowns amounted to \$2,439,462 due interest only through February 1, 2000 thereafter due in semi-annual principal and interest installments of \$86,567, interest at 3.00%; due in full August 1, 2019; County of Loudoun to provide annual debt service of \$88,000 for twenty years subject to annual appropriation	\$ 2,977
\$1,125,000, 2010 General Obligation Bond; semi-annual interest payments at 3.20% to 4.08% and annual principal payments of \$10,000 to \$120,000; due in full October 1, 2021.	<u>765,000</u>
Total General Obligation Debt	<u><u>\$ 767,977</u></u>

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2016	\$ 97,977	\$ 31,474
2017	100,000	27,371
2018	105,000	22,773
2019	110,000	17,533
2020	115,000	12,208
2021 - 2022	240,000	7,148
Total	<u>\$ 767,977</u>	<u>\$ 2,451</u>

The bonds are collateralized by the revenues of the water and sewer funds. The covenants also contain certain provisions which require the Town of maintain revenues as defined in the covenants of at least 1.15 times annual total debt service. For fiscal year 2015, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$7,023,526, which is computed based on 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**E. Long-Term Debt (Continued)**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	June 30, 2014	Additions	Retirements	June 30, 2015	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 3,532	\$ 285	\$ -	\$ 3,817	\$ -
Unfunded pension liability	-	5,796	-	5,796	-
Governmental activities long-term liabilities	\$ 3,532	\$ 6,081	\$ -	\$ 9,613	\$ -
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,101,303	\$ -	\$ (333,326)	\$ 767,977	\$ 97,977
Compensated absences	13,772	1,279	-	15,051	-
Premiums on bonds	58,936	-	(7,367)	51,569	-
Accounting charge on refinance	(41,621)	-	5,202	(36,419)	-
Unfunded pension liability	-	19,183	-	19,183	-
Business-type activities long-term liabilities	\$ 1,132,390	\$ 20,462	\$ (335,491)	\$ 817,361	\$ 97,977

*Advance Refundings*

The Town issued 2010 series \$1,125,000 general obligation refunding bonds to provide resources for advance bonded debt refunding. The Town advanced refunded the 2002 \$1,180,000 bonded debt. As a result, the refunded bonds are considered to be defeased and liability removed from bonded debt obligations. The reacquisition price exceeded the net carrying amount of the old debt by \$62,429 and is being amortized over the term of the new debt. The advance refunding was undertaken to improve current cash flow by reducing required debt service requirements. Total debt service payments of the 12 year life of the new bonded debt decreased by \$82,521 with an estimated economic gain (difference between the present values of the debt service payments on the old and new debt) of \$58,310.

**F. Capital Contributions**

Contributed capital for the water and sewer funds consists of funds received from developers, individuals, and other governmental units for use in aid of construction and support of the utility system. A summary of capital contributions collected during fiscal year 2015 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ -	\$ -	\$ -
Loudoun County - utility distribution systems support	-	88,000	88,000
Loudoun County - special tax district/debt service	-	67,413	67,413
	\$ -	\$ 155,413	\$ 155,413

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined together with other municipalities in the Commonwealth of Virginia in several public entity risk pools (not self-insured) that operate as common risk management and insurance programs for member municipalities. The risk pools include:

**VMGSIA:** The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2015 the Town paid premiums of approximately \$4,679 to VMGSIA.

**VMLP:** The Town has general and excess liability, automobile, property, boiler and machinery, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2015, the Town paid contributions of approximately \$28,847 to the VMLP.

Settled claims have not exceeded commercial insurance coverage in any of the past four fiscal years.

**B. Segment Information - Enterprise Funds**

The Town maintains two enterprise funds which provide water and sewer services. Selected segment information for the year ended June 30, 2015, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 356,486	\$ 325,633	\$ 682,119
Operating expenses	435,571	441,343	876,914
Net nonoperating revenues (expenses)	47,867	(4,568)	43,299
Transfers and contributions	(47)	155,364	155,317
Net income	(31,265)	35,086	3,821
Acquisition of property	19,962	13,999	33,961
Total assets	5,170,714	4,211,959	9,382,673
Bonds payable	688,500	79,477	767,977
Total net position	4,422,941	4,099,061	8,522,002

**C. Surety Bonds**

The Town maintains a \$100,000 blanket surety bond on all employees through the Virginia Municipal Liability Pool Insurance Program.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan**

**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 (VRS)

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

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Retirement Plan Provisions</b>		
<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 3</b>
<p><b>About Plan 1</b>                      Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>                      Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Retirement Contributions</b>          Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some Towns elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>          Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some Towns elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>          A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>          Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>          Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>          Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b>          Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>
<p>Members are always 100% vested in the contributions that they make.</p>		<p><u><b>Defined Contributions Component:</b></u>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1  <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in  <b><u>Defined Contribution Component:</u></b> Not applicable.</p>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>                  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>                  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component:</u></b>                  Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>                  Not applicable.</p> <p><b><u>Eligibility:</u></b>                  Same as Plan 1 and Plan 2.</p>
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**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of Towns (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>3</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	<u>10</u>
Active members	<u>4</u>
Total covered employees	<u><u>17</u></u>

**Contributions**

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

The Town's contractually required contribution rate for the year ended June 30, 2015 was 8.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$28,273 and \$24,865 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Net Pension Liability**

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35%
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
U.S. Equity	19.50%	6.45%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>* Expected arithmetic normal return</b>	<b>8.33%</b>

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

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

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2013	\$ 611,060	\$ 539,286	\$ 71,774
Changes for the year:			
Service cost	19,379	-	19,379
Interest	41,176	-	41,176
Differences between expected and actual experience			
Contributions - employer	-	15,466	(15,466)
Contributions - employee	-	8,940	(8,940)
Net investment income	-	83,404	(83,404)
Benefit payments, including refunds of employee contributions	(45,670)	(45,670)	-
Administrative expenses	-	(465)	465
Other changes	-	5	(5)
Net changes	<u>14,885</u>	<u>61,680</u>	<u>(46,795)</u>
Balances at June 30, 2014	<u>\$ 625,945</u>	<u>\$ 600,966</u>	<u>\$ 24,979</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(6.00%)	Rate (7.00%)	(8.00%)
Town's Net Pension Liability	<u>\$ 91,681</u>	<u>\$ 24,979</u>	<u>\$ (30,909)</u>

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

For the year ended June 30, 2015, the Town recognized pension expense of \$10,228. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	37,131
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 37,131</u>

All above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amortization
2016	\$ (9,283)
2017	(9,283)
2018	(9,283)
2019	(9,282)
Thereafter	-

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

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

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 19,379
Interest	41,176
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(45,670)
<b>Net change in total pension liability</b>	<u>14,885</u>
<b>Total pension liability - beginning</b>	<u>611,060</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 625,945</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 15,466
Contributions - employee	8,940
Net investment income	83,404
Benefit payments, including refunds of employee contributions	(45,670)
Administrative expense	(465)
Other	5
<b>Net change in total pension liability</b>	<u>61,680</u>
<b>Total pension liability - beginning</b>	<u>539,286</u>
<b>Total pension liability - ending (b)</b>	<u><u>\$ 600,966</u></u>
 <b>Town's net pension liability - ending (a) - (b)</b>	<u><u>\$ 24,979</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<u><u>96.01%</u></u>
 <b>Covered-employee payroll</b>	<u><u>\$ 179,302</u></u>
 <b>Town's net pension liability as a percentage of covered-employee payroll</b>	<u><u>13.93%</u></u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2015	\$ 28,273	\$ 28,273	\$ -	\$ 179,302	15.77%
Prior to GASB Statement No. 68 and 2015:					
2014	24,864	24,864	-	167,936	14.81%
2013	23,188	23,188	-	169,887	13.65%
2012	25,970	25,970	-	194,517	13.35%
2011	21,027	21,027	-	221,460	9.49%

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	\$ 552,689	\$ 627,418	\$ 74,729	88.09%	\$ 179,302	41.68%
Prior to GASB Statement No. 68:						
2013	512,743	611,060	98,317	83.91%	167,936	58.54%
2012	510,524	616,136	105,612	82.86%	169,887	62.17%
2011	523,272	597,816	74,544	87.53%	194,517	38.32%
2010	539,395	616,410	77,015	87.51%	221,460	34.78%

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

**E. GASB Statement No. 68 Net Position Restatement**

The Town implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions effective July 1, 2014 and restated the affected account balances at June 30, 2014 is as follows:

Description	Deferred Outflows	Pension Obligation	Net Position Reduction
FYE 2014 funding payments	\$ (19,892)	\$ -	\$ (19,892)
July 1, 2014 net obligation	-	71,774	71,774
	<u>\$ (19,892)</u>	<u>\$ 71,774</u>	<u>\$ 51,882</u>
Summarized by fund:			
Governmental	\$ (5,298)	\$ 16,654	\$ 11,356
Business-type	(14,594)	55,120	40,526
	<u>\$ (19,892)</u>	<u>\$ 71,774</u>	<u>\$ 51,882</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION (CONTINUED)**

**F. Subsequent Events**

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2015 through October 15, 2015, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2015 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2015.

**TOWN OF HAMILTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Sources of Revenues</b>				
<b>General Property Taxes</b>				
Real and personal property taxes	\$ 198,280	\$ 198,280	\$ 204,433	\$ 6,153
Penalties and interest	700	700	1,132	432
Total General Property Taxes	198,980	198,980	205,565	6,585
<b>Other Local Taxes</b>				
Sales taxes	42,000	42,000	39,211	(2,789)
Motor vehicle licenses	10,000	10,000	11,344	1,344
Consumer utility tax	28,000	28,000	29,225	1,225
Total Other Local Taxes	80,000	80,000	79,780	(220)
<b>Permits, Fees, and Licenses</b>				
Zoning income	2,000	2,000	5,675	3,675
Business licenses	10,000	10,000	12,074	2,074
Total Permits, Fees and Licenses	12,000	12,000	17,749	5,749
<b>Revenues from Use of Money and Property</b>				
Interest on bank deposits	1,527	1,527	1,191	(336)
<b>Miscellaneous Revenue</b>				
Donations	2,000	2,000	500	(1,500)
Park fees	700	700	2,050	1,350
Other	1,094	1,094	1,671	577
Total miscellaneous revenue	3,794	3,794	4,221	427
<b>Intergovernmental</b>				
Loudoun County - litter grant	1,200	1,200	1,059	(141)
Loudoun County - solar radar signs	-	-	-	-
VML safety grant	-	-	-	-
Virginia personal property tax	23,496	23,496	23,496	-
Total Intergovernmental	24,696	24,696	24,555	(141)
<b>Total General Fund Revenues</b>	<b>\$ 320,997</b>	<b>\$ 320,997</b>	<b>\$ 333,061</b>	<b>\$ 12,064</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>General Government</b>				
Administration				
Permanent salaries	\$ 103,653	\$ 103,653	\$ 96,703	\$ 6,950
Payroll taxes	7,918	7,918	7,172	746
Pension contribution	8,423	8,423	6,886	1,537
Worker's benefits	20,744	20,744	21,005	(261)
Audit	12,400	12,400	13,500	(1,100)
Legal fees	48,000	48,000	38,949	9,051
Advertising	1,670	1,670	1,322	348
Postage and printing	4,000	4,000	4,318	(318)
Telephone	3,800	3,800	4,346	(546)
Mayor and Town Council contingencies	500	500	170	330
Training	300	300	300	-
General office expenses	5,150	5,150	5,436	(286)
Building and grounds				
Electricity	2,200	2,200	2,388	(188)
Maintenance	1,000	1,000	1,744	(744)
Mowing	12,000	12,000	13,195	(1,195)
Other expenses	-	-	-	-
Engineering services	5,000	5,000	585	4,415
Insurance	15,000	15,000	16,310	(1,310)
Membership dues	603	603	560	43
Administrative contingencies	600	600	520	80
Recreation and activities	2,500	2,500	4,387	(1,887)
Planning commission	6,000	6,000	5,358	642
Computer/Software support	16,500	16,500	5,189	11,311
Bank charges and fees	2,000	2,000	2,337	(337)
Total General Government	279,961	279,961	252,680	27,281
<b>Public Safety Donations</b>	2,000	2,000	2,000	-
<b>Public Works</b>				
Trash removal	44,200	44,200	43,948	252
Street lighting	6,600	6,600	6,054	546
Streets and sidewalks	20,000	20,000	18,858	1,142
Total Public Works	70,800	70,800	68,860	1,940
Total Expenditures Before Transfers	352,761	352,761	323,540	29,221
<b>Other Financing Uses</b>				
Transfers out (in)	-	-	(96)	96
Total Other Financing Uses	-	-	(96)	96
<b>Total General Fund Expenditures</b>	\$ 352,761	\$ 352,761	\$ 323,444	\$ 29,317

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

**TOWN OF HAMILTON, VIRGINIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2015**

	<b>Special Revenue</b>		
	<b>Fire Programs Fund</b>	<b>Community Park Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,749	\$ 8,276	\$ 11,025
Certificates of deposit	-	9,004	9,004
Accounts receivable	-	-	-
<b>Total assets</b>	<b>\$ 2,749</b>	<b>\$ 17,280</b>	<b>\$ 20,029</b>
<b>Liabilities and Fund Balances</b>			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	2,749	17,280	20,029
<b>Total liabilities and fund balance</b>	<b>\$ 2,749</b>	<b>\$ 17,280</b>	<b>\$ 20,029</b>

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

**TOWN OF HAMILTON, VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2015**

	<b>Special Revenue</b>		
	<b>Fire Programs Fund</b>	<b>Community Park Fund</b>	<b>Total</b>
<b>Revenues</b>			
Intergovernmental	\$ 10,000	\$ -	\$ 10,000
Interest	1	7	8
<b>Total revenues</b>	<u>10,001</u>	<u>7</u>	<u>10,008</u>
<b>Expenditures</b>			
Public safety	15,000	-	15,000
<b>Total expenditures</b>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(4,999)	7	(4,992)
<b>Fund balances - beginning</b>	<u>7,748</u>	<u>17,273</u>	<u>25,021</u>
<b>Fund balances - ending</b>	<u>\$ 2,749</u>	<u>\$ 17,280</u>	<u>\$ 20,029</u>

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

**TOWN OF HAMILTON, VIRGINIA  
GENERAL GOVERNMENT REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses, Permits, and Fees</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>Inter- governmental</b>	<b>Total</b>
2006	185,535	165,111	19,297	26,849	9,879	24,910	431,581
2007	211,243	167,409	25,441	42,299	2,189	24,171	472,752
2008	202,246	159,345	14,819	46,713	1,541	24,171	448,835
2009	189,621	147,722	17,268	26,828	1,374	23,496	406,309
2010	165,085	79,076	13,015	15,203	2,020	23,496	297,895
2011	189,151	83,008	12,182	5,058	3,889	50,407	343,695
2012	182,947	86,679	8,245	4,904	45,415	38,470	366,660
2013	183,919	88,135	14,443	2,750	12,565	25,779	327,591
2014	194,100	77,177	22,283	1,631	2,642	55,957	353,790
2015	205,565	79,780	17,749	1,191	4,221	24,555	333,061

**TOWN OF HAMILTON, VIRGINIA  
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Debt Service</b>	<b>Total</b>
2006	284,220	4,000	57,698	1,277	347,195
2007	340,647	4,000	54,172	1,277	400,096
2008	278,694	4,000	65,457	1,481	349,632
2009	286,136	-	59,204	1,500	346,840
2010	271,121	2,000	57,967	1,500	332,588
2011	249,049	2,000	71,988	1,500	324,537
2012	248,916	2,000	49,381	1,500	301,797
2013	219,607	2,000	48,271	1,249	271,127
2014	248,337	2,000	79,030	-	329,367
2015	252,680	2,000	68,860	-	323,540

**TOWN OF HAMILTON, VIRGINIA  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total</b>
2006	69,592,500	3,402,622	951,428	73,946,550
2007	81,805,650	3,593,170	1,425,553	86,824,373
2008	80,299,150	3,206,575	1,603,440	85,109,165
2009	71,953,850	3,258,830	1,877,614	77,090,294
2010	63,873,450	2,969,396	2,145,508	68,988,354
2011	60,548,900	3,191,216	2,197,168	65,937,284
2012	59,660,100	3,291,941	2,184,561	65,136,602
2013	60,129,870	3,479,651	2,001,322	65,610,843
2014	63,041,725	3,598,721	2,083,476	68,723,922
2015	67,777,185	3,655,809	1,996,556	73,429,550

Total assessed value is based on 100 percent of estimated actual value

Real estate assessed value is average of current year and prior year January 1 valuations.

**TOWN OF HAMILTON, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Total Collection as Percent of Current Levy</b>
2006	181,947	181,415	99.71%	2,717	184,132	101.20%
2007	209,259	206,491	98.68%	3,360	209,851	100.28%
2008	200,089	195,353	97.63%	3,957	199,310	99.61%
2009	182,428	187,787	102.94%	2,090	189,877	104.08%
2010	170,352	164,904	96.80%	67	164,971	96.84%
2011	183,197	182,063	99.38%	4,708	186,771	101.95%
2012	182,647	177,040	96.93%	4,526	181,566	99.41%
2013	183,088	182,064	99.44%	897	182,961	99.93%
2014	194,327	192,776	99.20%	470	193,246	99.44%
2015	205,326	201,550	98.16%	2,883	204,433	99.57%

Note: Penalties and interest are not included in any of the values.

**TOWN OF HAMILTON, VIRGINIA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2015**

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Assessed value of taxable real property	<u>\$ 70,235,260</u>
Debt limit (10% of assessed value)	7,023,526
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 7,023,526</u>

Section 15.1-176 of 1950 Code of Virginia, as amended, limits to 10% of the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia (formerly Clause (B) of Section 127 of the Constitution of Virginia). This exclusion applies to the 1999 and 2010 bond obligations.

Assessed value is as of January 1, 2015 and excludes real property owned by public service corporations.