

**TOWN OF HAMILTON, VIRGINIA**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**TOWN OF HAMILTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012**

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**TOWN OF HAMILTON, VIRGINIA  
JUNE 30, 2012**

**MAYOR AND TOWN COUNCIL**

Gregory K. Wilmoth, Mayor

John D.Unger, Vice Mayor  
Dimitri N. Kesari  
James T. Rollins, Jr.

Michael E. Snyder  
David R. Simpson  
Kenneth C. Wine

**OFFICIALS**

Lori M. Jones, CPA, Treasurer  
David M. Beniamino, Zoning Administrator  
Jennifer Helbert, Recorder

**LEGAL COUNSEL**

Maureen K. Gilmore

## **FINANCIAL SECTION**

# MITCHELL & Co., P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

MEGAN R. JOLLON, CPA

## 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, major funds and remaining fund information of the Town of Hamilton, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Hamilton, Virginia basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements and schedules 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Town of Hamilton, Virginia as of June 30, 2012, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although, not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise in Town of Hamilton, Virginia's financial statements as a whole. The supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the 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.

August 1, 2012  
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, 2012.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$8,979,278.
- The Town's total net assets increased by \$142,583.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$1,125,319, an increase of \$5,044 in comparison with the prior year. The majority of this total amount, \$892,277 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$255,570 (13.1 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 assets presents information on all Town assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 – 36 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 37 – 40 of this report. Additional state required supplementary schedules follow the combining and individual fund statements and can be found on page 41 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets 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 \$8,979,278 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets 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 assets by type of activity as of June 30, 2012.

---

**Town of Hamilton – Net Assets**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 931,622	\$ 1,941,563	\$ 2,873,185
Capital assets	209,112	7,846,875	8,055,987
Total Assets	1,140,734	9,788,438	10,929,172
<b>Liabilities</b>			
Long-term liabilities	3,203	1,486,979	1,490,182
Other liabilities	12,212	447,500	459,712
Total Liabilities	15,415	1,934,479	1,949,894
<b>Net Assets</b>			
Nonspendable	205,554	6,151,280	6,356,834
Restricted	27,488	-	27,488
Unrestricted	892,277	1,702,679	2,594,956
Total Net Assets	\$ 1,125,319	\$ 7,853,959	\$ 8,979,278

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The remaining balance of assigned and unassigned net assets 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 assets for the government as a whole. The same situation held true for the prior fiscal year.

The Town's net assets increased by \$142,583 during the current fiscal year.

**Governmental activities.** Governmental activities increased the Town of Hamilton’s net assets by \$5,044. These changes are presented in column one of the following table:

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

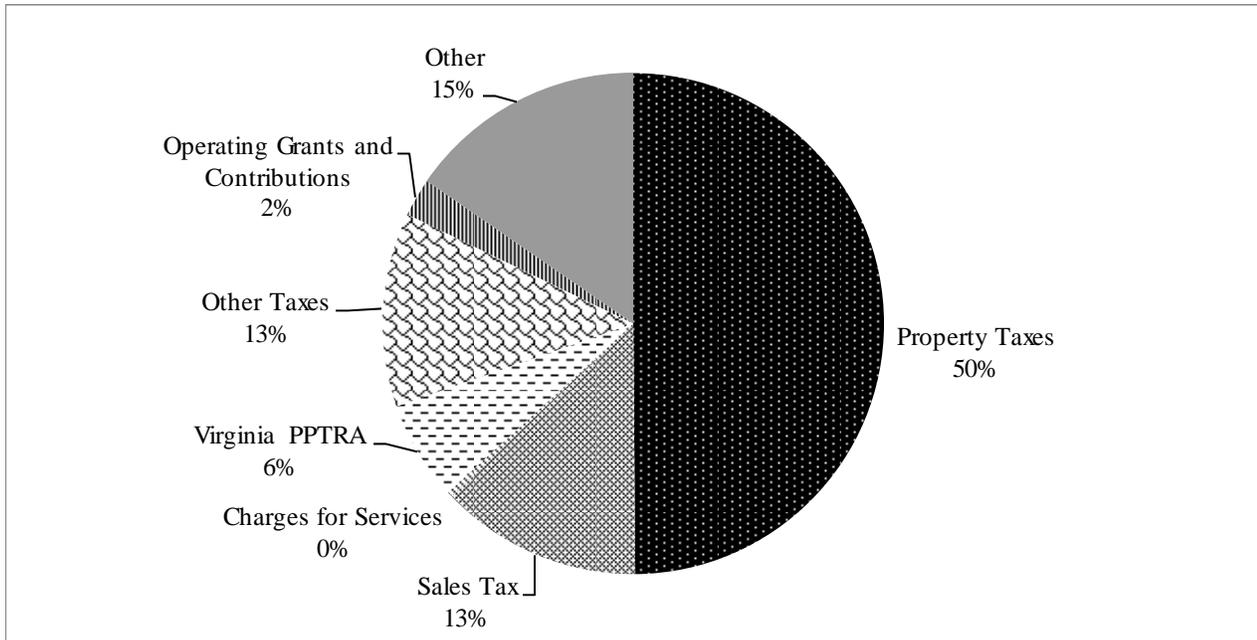
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 1,150	\$ 647,938	\$ 649,088
Operating grants and contributions	9,000	-	9,000
Capital grants and contributions	-	289,375	289,375
General Revenues			
Property taxes	182,792	-	182,792
Other taxes	117,270	-	117,270
Other	56,322	57,172	113,494
Total Revenues	<u>366,534</u>	<u>994,485</u>	<u>1,361,019</u>
Expenses			
General government	254,853	-	254,853
Public safety	25,510	-	25,510
Public works	49,433	-	49,433
Interest on long-term debt	100	-	100
Infrastructure depreciation	7,275	-	7,275
Water	-	425,517	425,517
Sewer	-	455,748	455,748
Total Expenses	<u>337,171</u>	<u>881,265</u>	<u>1,218,436</u>
Transfers	<u>(24,319)</u>	<u>24,319</u>	<u>-</u>
Increase(Decrease) in Net Assets	5,044	137,539	142,583
Net Assets - 7/01/11	1,120,275	7,716,420	8,836,695
Net Assets - 6/30/12	<u>\$ 1,125,319</u>	<u>\$ 7,853,959</u>	<u>\$ 8,979,278</u>

- Revenue from property taxes increased by \$86 (0.0 percent) during the year.

The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2012.

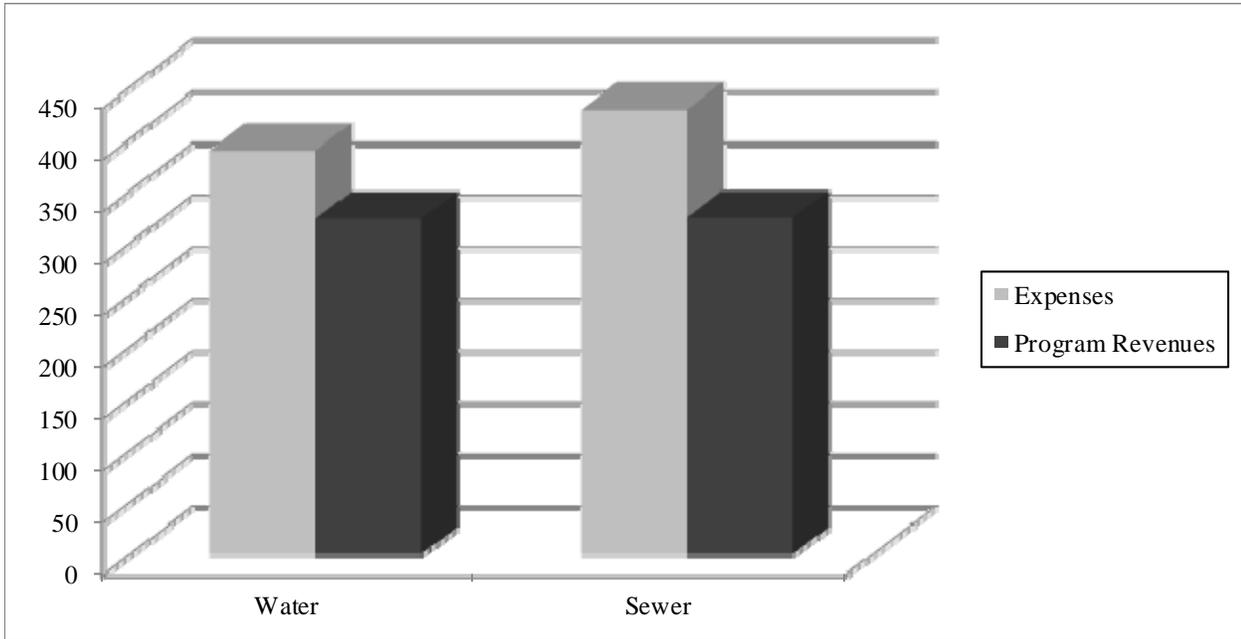
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### Revenues by Source – Governmental Activities

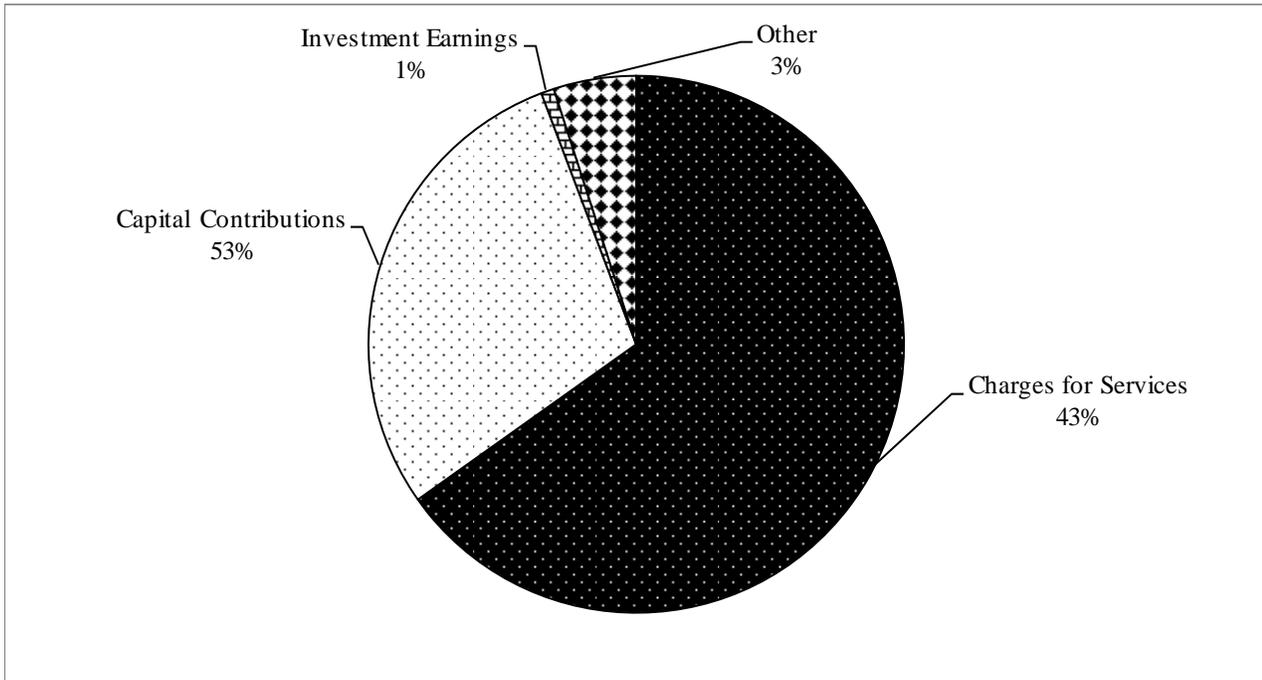


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- **Business-type activities.** Business-type activities increased the Town of Hamilton's net assets by \$137,539, accounting for 96.5 percent of the increase in the Town's net assets.
-

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



### Revenues by Source – Business-type Activities



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### 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 \$915,037, an increase of \$18,953 in comparison with the prior year. The majority of this total amount (\$869,915) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$45,122) 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 \$869,915 and the nonspendable fund balance of the general fund was \$17,634. 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 \$869,915 is more than 2 times the total general fund expenditures of \$301,797.

The fund balance of the Town of Hamilton, Virginia's general fund increased by \$32,544 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 assets of the water fund at the end of the year amounted to \$4,273,750, and those for the sewer fund amounted to \$3,580,209. The total increase in net assets for proprietary funds was \$137,539. 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, 2012, amounts to \$8,055,987 (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:

- Grinder pumps

The table below summarizes the capital assets of the Town at June 30, 2012

**Town of Hamilton – Capital Assets  
(Net of accumulated depreciation)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 116,959	\$ 421,162	\$ 538,121
Buildings and improvements	52,966	273,207	326,173
Utility distribution systems	-	7,016,696	7,016,696
Machinery and equipment	8,955	135,810	144,765
Infrastructure	30,232	-	30,232
<b>TOTAL</b>	<b>\$ 209,112</b>	<b>\$ 7,846,875</b>	<b>\$ 8,055,987</b>

Additional information on the Town of Hamilton capital assets can be found in note III. D on pages 29 – 30 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 \$1,695,595. 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 \$255,570 (11.1 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.

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 \$5,949,540, 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. G on pages 31 – 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 ASSETS**  
**June 30, 2012**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 205,241	\$ 818,690	\$ 1,023,931
Certificate of deposits	530,468	774,454	1,304,922
Investments	161,939	145,293	307,232
Receivables			
Delinquent taxes, including penalties	3,018	-	3,018
Accrued interest	219	476	695
Accounts	3,261	92,044	95,305
Due from other governments	9,842	54,513	64,355
Prepays and other	17,634	16,081	33,715
Bond issuance costs	-	40,012	40,012
Capital assets (net of accumulated depreciation):			
Land	116,959	421,162	538,121
Buildings and improvements	52,966	273,207	326,173
Utility distribution systems	-	7,016,696	7,016,696
Machinery and equipment	8,955	135,810	144,765
Infrastructure	30,232	-	30,232
<b>Total Assets</b>	<b>1,140,734</b>	<b>9,788,438</b>	<b>10,929,172</b>
<b>Liabilities</b>			
Accounts payable	10,968	8,899	19,867
Banking advances	-	161,051	161,051
Accrued interest payable	-	18,235	18,235
Deferred revenue	-	20,000	20,000
Noncurrent liabilities:			
Due within one year	1,244	239,315	240,559
Due in more than one year	3,203	1,486,979	1,490,182
<b>Total Liabilities</b>	<b>15,415</b>	<b>1,934,479</b>	<b>1,949,894</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	205,554	6,151,280	6,356,834
Restricted	27,488	-	27,488
Unrestricted	892,277	1,702,679	2,594,956
<b>Total Net Assets</b>	<b>\$ 1,125,319</b>	<b>\$ 7,853,959</b>	<b>\$ 8,979,278</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, 2012**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Total
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants	Capital Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 254,853	\$ -	\$ 9,000	\$ -	\$ (245,853)	\$ -	\$ (245,853)
Public safety	25,510	-	-	-	(25,510)	-	(25,510)
Public works	49,433	-	-	-	(49,433)	-	(49,433)
Planning and zoning	-	1,150	-	-	1,150	-	1,150
Interest on long-term debt	100	-	-	-	(100)	-	(100)
Infrastructure depreciation	7,275	-	-	-	(7,275)	-	(7,275)
Total Governmental Activities	337,171	1,150	9,000	-	(327,021)	-	(327,021)
Business-type activities:							
Water	425,517	323,462	-	54,300	-	(47,755)	(47,755)
Sewer	455,748	324,476	-	235,075	-	103,803	103,803
Total Business-Type Activities	881,265	647,938	-	289,375	-	56,048	56,048
Total Primary Government	\$ 1,218,436	\$ 649,088	\$ 9,000	\$ 289,375	(327,021)	56,048	(270,973)
General Revenues:							
Property taxes					182,792	-	182,792
Sales taxes					47,815	-	47,815
Business and occupational taxes					7,095	-	7,095
Consumer taxes					28,800	-	28,800
Virginia personal property tax reduction					23,496	-	23,496
FEMA reimbursement					5,974	-	5,974
Motor vehicle licenses					10,064	-	10,064
Miscellaneous					4,292	-	4,292
Insurance claims					41,123	-	41,123
Unrestricted investment earnings					4,933	7,771	12,704
Lease income					-	49,401	49,401
Transfers					(24,319)	24,319	-
Total general revenues					332,065	81,491	413,556
Change in net assets					5,044	137,539	142,583
Net assets - beginning					1,120,275	7,716,420	8,836,695
Net assets - ending					\$ 1,125,319	\$ 7,853,959	\$ 8,979,278

**TOWN OF HAMILTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 186,722	\$ 18,519	\$ 205,241
Certificates of deposit	521,499	8,969	530,468
Investments	161,939	-	161,939
Receivables:			
Property taxes	3,018	-	3,018
Accrued interest	219	-	219
Due from other governments	9,842	-	9,842
Prepays and other	20,895	-	20,895
<b>Total Assets</b>	<b>904,134</b>	<b>27,488</b>	<b>931,622</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	10,968	-	10,968
Deferred revenue	2,414	-	2,414
Compensated absences payable	3,203	-	3,203
<b>Total Liabilities</b>	<b>16,585</b>	<b>-</b>	<b>16,585</b>
<b>Fund balances:</b>			
Nonspendable			
Prepaid expenses	17,634	-	17,634
Restricted			
Community park	-	17,238	17,238
Fire program	-	10,250	10,250
Unassigned	869,915	-	869,915
<b>Total Fund Balances</b>	<b>887,549</b>	<b>27,488</b>	<b>915,037</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 904,134</b>	<b>\$ 27,488</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	209,112
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,414
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in funds.	(1,244)
Net assets of governmental activities	<u>\$ 1,125,319</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, 2012**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
General property taxes	\$ 182,947	\$ -	\$ 182,947
Other local taxes	86,679	-	86,679
Permits, licenses, and fees	8,245	-	8,245
Contributions	-	-	-
Interest	4,904	29	4,933
Intergovernmental	38,470	-	38,470
Miscellaneous	45,415	-	45,415
<b>Total revenues</b>	<b>366,660</b>	<b>29</b>	<b>366,689</b>
<b>Expenditures</b>			
General government administration	248,916	-	248,916
Public works	49,381	-	49,381
Public safety	2,000	21,620	23,620
Debt service:			
Principal	1,400	-	1,400
Interest	100	-	100
<b>Total expenditures</b>	<b>301,797</b>	<b>21,620</b>	<b>323,417</b>
<b>Excess of revenues over expenditures</b>	<b>64,863</b>	<b>(21,591)</b>	<b>43,272</b>
<b>Other Financing Sources (Uses)</b>			
Transfers (out) in	(32,319)	8,000	(24,319)
<b>Total other financing sources (uses)</b>	<b>(32,319)</b>	<b>8,000</b>	<b>(24,319)</b>
<b>Net change in fund balances</b>	<b>32,544</b>	<b>(13,591)</b>	<b>18,953</b>
<b>Fund balances - beginning</b>	<b>855,005</b>	<b>41,079</b>	<b>896,084</b>
<b>Fund balances - ending</b>	<b>\$ 887,549</b>	<b>\$ 27,488</b>	<b>\$ 915,037</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**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, 2012**

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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	\$ 18,953
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	2,100
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(17,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(155)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,400</u>
Change in net assets of governmental activities	<u><u>\$ 5,044</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, 2012**

	<b>Original &amp; Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
General property taxes	\$ 172,450	\$ 182,947	\$ 10,497
Other local taxes	79,200	86,679	7,479
Permits, fees, and licenses	10,500	8,245	(2,255)
Interest	6,136	4,904	(1,232)
Miscellaneous	1,550	45,415	43,865
Intergovernmental	32,496	38,470	5,974
<b>Total Revenues</b>	<b>302,332</b>	<b>366,660</b>	<b>64,328</b>
<b>Expenditures</b>			
General government administration	241,132	248,916	(7,784)
Public safety donations	2,000	2,000	-
Public works	51,700	49,381	2,319
Debt service:			
Principal	1,400	1,400	-
Interest	100	100	-
<b>Total Expenditures</b>	<b>296,332</b>	<b>301,797</b>	<b>(5,465)</b>
<b>Excess (deficiency) of Revenues over Expenditures</b>	<b>6,000</b>	<b>64,863</b>	<b>58,863</b>
<b>Other Financing Sources (Uses)</b>			
Transfers (out)	-	(32,319)	(32,319)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(32,319)</b>	<b>(32,319)</b>
<b>Net change in fund balance</b>	<b>6,000</b>	<b>32,544</b>	<b>26,544</b>
<b>Fund balance - beginning</b>	<b>855,005</b>	<b>855,005</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 861,005</b>	<b>\$ 887,549</b>	<b>\$ 26,544</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Water</b>	<b>Sewer</b>	<b>Sewer</b>	<b>Totals</b>
	<b>Current Year</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Prior Year</b>	<b>Current Year</b>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 376,162	\$ 370,325	\$ 442,528	\$ 401,378	\$ 818,690
Certificates of deposit	140,025	138,824	634,429	628,553	774,454
Investments	23,936	23,900	121,357	121,172	145,293
Accounts receivable	42,635	40,745	49,409	47,897	92,044
Intergovernmental receivable	-	-	54,513	52,573	54,513
Accrued interest receivable	77	166	399	801	476
Prepaid expenses	7,779	2,236	8,302	2,236	16,081
<b>Total current assets</b>	<b>590,614</b>	<b>576,196</b>	<b>1,310,937</b>	<b>1,254,610</b>	<b>1,901,551</b>
Noncurrent assets					
Restricted assets, cash & equivalents					
Bond escrow funds	-	2,962	-	-	-
Bond issuance costs	36,278	39,906	3,734	4,107	40,012
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,399,332	5,399,331	3,774,738	3,774,738	9,174,070
Equipment	281,996	283,717	340,588	319,607	622,584
Less accumulated depreciation	(1,307,201)	(1,169,242)	(1,996,347)	(1,856,855)	(3,303,548)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>4,787,875</b>	<b>4,927,554</b>	<b>3,059,000</b>	<b>3,177,511</b>	<b>7,846,875</b>
<b>Total noncurrent assets</b>	<b>4,824,153</b>	<b>4,970,422</b>	<b>3,062,734</b>	<b>3,181,618</b>	<b>7,886,887</b>
<b>Total Assets</b>	<b>5,414,767</b>	<b>5,546,618</b>	<b>4,373,671</b>	<b>4,436,228</b>	<b>9,788,438</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	3,746	6,082	5,153	10,622	8,899
Banking advances	161,051	224,367	-	-	161,051
Accrued interest payable	8,923	9,457	9,312	11,503	18,235
Deferred revenue	-	-	20,000	20,500	20,000
General obligation bonds - current	76,500	76,500	162,815	96,248	239,315
<b>Total current liabilities</b>	<b>250,220</b>	<b>316,406</b>	<b>197,280</b>	<b>138,873</b>	<b>447,500</b>
Noncurrent liabilities					
Compensated absences	3,788	3,157	5,266	4,930	9,054
Premium on bonds	66,304	72,934	7,366	8,103	73,670
Accounting charge on refinance	(29,795)	(32,774)	(22,230)	(23,620)	(52,025)
General obligation bonds payable	850,500	927,000	605,780	851,417	1,456,280
<b>Total noncurrent liabilities</b>	<b>890,797</b>	<b>970,317</b>	<b>596,182</b>	<b>840,830</b>	<b>1,486,979</b>
<b>Total Liabilities</b>	<b>1,141,017</b>	<b>1,286,723</b>	<b>793,462</b>	<b>979,703</b>	<b>1,934,479</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	3,860,875	3,927,017	2,290,405	947,665	6,151,280
Unrestricted	412,875	332,878	1,289,804	2,508,860	1,702,679
<b>Total Net Assets</b>	<b>\$ 4,273,750</b>	<b>\$ 4,259,895</b>	<b>\$ 3,580,209</b>	<b>\$ 3,456,525</b>	<b>\$ 7,853,959</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 ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	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	\$ 306,700	\$ 299,975	\$ 303,832	\$ 298,958	\$ 610,532
Connection fees	10,200	6,800	15,500	30,000	25,700
Miscellaneous revenue	6,562	5,772	5,144	5,145	11,706
Total operating revenues	323,462	312,547	324,476	334,103	647,938
<b>Operating expenses</b>					
Personal service	84,707	80,329	110,123	98,711	194,830
Fringe benefits	26,514	23,329	44,481	28,122	70,995
Depreciation	152,152	146,214	143,673	147,890	295,825
Truck expense	12,544	3,300	12,866	3,318	25,410
Supplies	11,244	12,997	48,593	74,804	59,837
Repairs and maintenance	58,663	29,930	31,762	56,497	90,425
Utilities	38,824	45,868	33,166	29,140	71,990
Telephone	2,161	2,755	3,316	2,814	5,477
Other charges	2,247	2,576	390	592	2,637
Total operating expenses	389,056	347,298	428,370	441,888	817,426
Operating income (loss)	(65,594)	(34,751)	(103,894)	(107,785)	(169,488)
<b>Nonoperating revenues (expenses)</b>					
Refund of connection and availability fees	-	-	-	(34,800)	-
Investment earnings	2,050	2,402	5,721	5,373	7,771
Lease income	49,401	39,783	-	-	49,401
Bond issuance costs	(6,607)	(6,607)	(1,762)	(3,429)	(8,369)
Interest expense	(29,854)	(35,594)	(25,616)	(30,933)	(55,470)
Total nonoperating revenue (expenses)	14,990	(16)	(21,657)	(63,789)	(6,667)
Income before contributions and transfers	(50,604)	(34,767)	(125,551)	(171,574)	(176,155)
<b>Transfers and contributions</b>					
Capital contributions	54,300	526,862	235,075	272,381	289,375
Transfers in	10,159	-	14,160	-	24,319
<b>Change in net assets</b>	13,855	492,095	123,684	100,807	137,539
<b>Total net assets - beginning of year</b>	4,259,895	3,767,800	3,456,525	3,355,718	7,716,420
<b>Total net assets - end of year</b>	\$ 4,273,750	\$ 4,259,895	\$ 3,580,209	\$ 3,456,525	\$ 7,853,959

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, 2012**

	<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	\$ 370,973	\$ 320,522	\$ 691,495
Payments to suppliers	(130,583)	(140,237)	(270,820)
Payments to employees	(110,590)	(154,267)	(264,857)
Net cash provided by operating activities	129,800	26,018	155,818
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund transfers	10,159	14,160	24,319
Net cash provided by capital and related financing activities	10,159	14,160	24,319
<b>Cash Flows from Capital and Related Financing Activities</b>			
Bond escrow funding from refinance	2,962	-	2,962
Capital contributions	54,300	235,075	289,375
Acquisition and construction of capital assets	(12,473)	(25,162)	(37,635)
Bond issuance costs net of premium	(2,979)	(1,389)	(4,368)
Principal paid on capital debt	(76,500)	(179,070)	(255,570)
Interest paid on capital debt	(37,018)	(28,544)	(65,562)
Net cash (provided by) used in capital and related financing activities	(71,708)	910	(70,798)
<b>Cash Flows from Investing Activities</b>			
(Purchases) redemption of certificates of deposit	(1,201)	(5,876)	(7,077)
Interest and dividends received	2,139	6,123	8,262
Net cash provided by investing activities	938	247	1,185
Net increase in cash and cash equivalents	69,189	41,335	110,524
Cash and cash equivalents July 1, 2011	169,858	522,550	692,408
Cash and cash equivalents June 30, 2012	\$ 239,047	\$ 563,885	\$ 802,932
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (65,594)	\$ (103,894)	\$ (169,488)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	152,152	143,673	295,825
Lease income	49,401	-	49,401
Decrease in accounts receivable	(1,890)	(3,953)	(5,843)
Decrease in prepaid and other assets	(2,564)	(4,676)	(7,240)
Decrease in operating accounts payable	(2,336)	(5,469)	(7,805)
Increase in compensated absences	631	337	968
Total adjustments	195,394	129,912	325,306
Net cash provided by operating activities	\$ 129,800	\$ 26,018	\$ 155,818

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

**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. Blended component units, although legally separate entities, are, in substance, part of the government’s operating. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

There were no blended or discretely presented component units for the Town for the year ended June 30, 2012.

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

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

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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 and Net Assets or Equity**

**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."

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.

NOTES TO THE FINANCIAL STATEMENTS

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**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

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. 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 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).

**7. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

**8. 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.

NOTES TO THE FINANCIAL STATEMENTS

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**9. Comparative Data/Reclassifications**

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. Certain amounts presented in prior year data have been reclassified to be consistent with current year's presentation.

**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.

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.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2012, expenditures exceeded appropriations in the following general fund departments:

Department	Excess Expenditures Over Appropriations
Transfers out	\$ 32,319
General government administration	7,784

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

**A. Deposits and Investments**

Deposits

At year-end June 30, 2012 the carrying amount of the Town's deposits with banks and savings institutions was \$2,167,702 and the bank balance was \$2,167,874.

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.

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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, 2012, the Town had the following investments:

Type	Carrying Amount	Fair Value
LGIP Fund	\$ 307,232	\$ 307,232

*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.

*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 custodial 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, 2012, 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	2,167,702	862,780	1,304,922
Investments	307,232	307,232	-
<b>Total</b>	<b>\$ 2,475,034</b>	<b>\$ 1,170,112</b>	<b>\$ 1,304,922</b>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**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	\$ 3,018	\$ -	\$ -	\$ 3,018
Accounts				
Billed	3,261	17,097	24,401	44,759
Unbilled	-	25,538	25,008	50,546
Interest	219	77	399	695
Intergovernmental	9,842	-	54,513	64,355
Net total receivables	<u>\$ 16,340</u>	<u>\$ 42,712</u>	<u>\$ 104,321</u>	<u>\$ 163,373</u>

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 \$2,414 representing delinquent property taxes in the general fund.

**C. Due from Other Governments**

At June 30, 2012 amounts due from other governments were as follows:

Description/Payer	General
Loudoun County, Virginia	
Sales tax	\$ 9,842
Special taxing district	54,513
	<u>\$ 64,355</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2012 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	<u>116,959</u>	<u>-</u>	<u>-</u>	<u>116,959</u>
Capital assets, being depreciated:				
Buildings and improvements	113,030	-	-	113,030
Furniture and fixtures	970	-	-	970
Equipment	65,827	2,100	(1,772)	66,155
Infrastructure	167,715	-	-	167,715
Total capital assets being depreciated	<u>347,542</u>	<u>2,100</u>	<u>(1,772)</u>	<u>347,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(53,625)	(6,439)	-	(60,064)
Furniture and fixtures	473	-	-	473
Equipment	(56,875)	(3,540)	1,772	(58,643)
Infrastructure	(130,208)	(7,275)	-	(137,483)
Total accumulated depreciation	<u>(240,235)</u>	<u>(17,254)</u>	<u>1,772</u>	<u>(255,717)</u>
Net capital assets being depreciated	<u>107,307</u>	<u>(15,154)</u>	<u>-</u>	<u>92,153</u>
Governmental capital assets, net	<u>\$ 224,266</u>	<u>\$ (15,154)</u>	<u>\$ -</u>	<u>\$ 209,112</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

	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	5,651,314	-	-	5,651,314
Water treatment plant	3,522,756	-	-	3,522,756
Equipment	603,324	37,687	(18,427)	622,584
Total capital assets being depreciated	10,710,001	37,687	(18,427)	10,729,261
Less accumulated depreciation for:				
Buildings and improvements	(625,732)	(38,670)	-	(664,402)
Utility distribution systems	(1,792,798)	(146,657)	-	(1,939,455)
Water treatment plant	(139,376)	(78,545)	-	(217,921)
Equipment	(468,194)	(31,953)	18,377	(481,770)
Total accumulated depreciation	(3,026,100)	(295,825)	18,377	(3,303,548)
Net capital assets being depreciated	7,683,901	(258,138)	(50)	7,425,713
Business-type activities capital assets, net	\$ 8,105,063	\$ (258,138)	\$ (50)	\$ 7,846,875

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

Activity	Depreciation
<b>Governmental activities:</b>	
General government administration	\$ 6,439
Public works	3,540
Infrastructure depreciation	7,275
Total depreciation expense - governmental activities	\$ 17,254
<b>Business-type activities:</b>	
Water	\$ 152,152
Sewer	143,673
Total depreciation expense - business-type activities	\$ 295,825

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**E. Capital Lease**

The Town entered into a lease agreement for the acquisition of a copier. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities
2013	1,244
Total minimum lease payments	1,244
Less: amount representing interest	(5)
Present value of minimum lease payments	<u>\$ 1,239</u>

**F. 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, 2012 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	\$ 665,595
\$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>1,030,000</u>
Total General Obligation Debt	<u>\$ 1,695,595</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2013	239,315	57,544
2014	248,979	50,955
2015	253,784	44,020
2016	263,734	35,784
2017	119,783	27,668
2018 - 2022	570,000	62,111
Total	<u>\$ 1,695,595</u>	<u>\$ 278,082</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 2012, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$5,949,540, which is computed based on 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

Long-term liability activity for the year ended June 30, 2012 was as follows:

	June 30, 2011	Additions	Retirements	June 30, 2012	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 2,644	\$ -	\$ (1,400)	\$ 1,244	\$ 1,244
Compensated absences	2,808	395	-	3,203	-
Governmental activities long-term liabilities	<u>\$ 5,452</u>	<u>\$ 395</u>	<u>\$ (1,400)</u>	<u>\$ 4,447</u>	<u>\$ 1,244</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,951,165	\$ -	\$ (255,570)	\$ 1,695,595	\$ 239,315
Compensated absences	8,087	967	-	9,054	-
Premiums on bonds	81,037	-	(7,367)	73,670	-
Accounting charge on refinance	(56,394)	-	4,369	(52,025)	-
Business-type activities long-term liabilities	<u>\$ 1,983,895</u>	<u>\$ 967</u>	<u>\$ (258,568)</u>	<u>\$ 1,726,294</u>	<u>\$ 239,315</u>

**NOTES TO THE FINANCIAL STATEMENTS**

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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 of \$58,310.

**G. 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 2012 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ 54,300	\$ 37,200	\$ 91,500
Loudoun County - utility distribution systems support	-	88,000	88,000
Loudoun County - special tax district/debt service	-	109,875	109,875
	<u>\$ 54,300</u>	<u>\$ 235,075</u>	<u>\$ 289,375</u>

**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 2012 the Town paid premiums of approximately \$4,572 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 2012, the Town paid contributions of approximately \$28,037 to the VMLP.

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

NOTES TO THE FINANCIAL STATEMENTS

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**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, 2012, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 323,462	\$ 324,476	\$ 647,938
Operating expenses	389,056	428,370	817,426
Net nonoperating revenues (expenses)	14,990	(21,657)	(6,667)
Transfers and contributions	64,459	249,235	313,694
Net income (loss)	13,855	123,684	137,539
Acquisition of property	12,525	25,162	37,687
Total assets	5,414,767	4,373,671	9,788,438
Bonds payable	927,000	768,595	1,695,595
Total net assets	4,273,750	3,580,209	7,853,959

**C. Surety Bonds**

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

**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 (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

NOTES TO THE FINANCIAL STATEMENTS

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- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member’s plan apply.

The VRS Basis Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member’s average final compensation multiplied by the member’s total service credit. Under Plan 1, average final compensation is the average of the member’s 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member’s 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit. Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town’s total contribution rate (employee and employer) for the fiscal year ended 2012 was 11.66% of annual covered payroll.

**Annual Pension Cost**

For 2012, the Town’s annual pension cost of \$25,970 was equal to the Town’s and employee’s required and actual contributions.

Five year historical trend information for annual pension costs is as follows:

Fiscal Year Ended	Annual Pension Costs (APC)	% APC Funded	Net Pension Obligation
2012	\$ 25,970	100%	None
2011	21,027	100%	None
2010	25,170	100%	None
2009	24,935	100%	None
2008	25,435	100%	None

NOTES TO THE FINANCIAL STATEMENTS

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.5% per year for Plan 1 Members and 2.25% a year from Plan 2 Members. Both the investment rate for return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years decreasing by one each year in subsequent valuations until reaching 20 years

**Required Supplementary Information – Funding Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 87.53% funded. The actuarial accrued liability for benefits was \$597,816 and the actuarial value of assets was \$523,272 resulting in an unfunded actuarial accrued liability (UAAL) of \$74,544. The covered payroll (annual payroll of active employees covered by the plan) was \$194,517, and ratio of the UAAL to the covered payroll was 38.32%.

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
2007	499,844	454,930	(44,914)	109.87%	197,537	-22.74%
2008	553,686	495,244	(58,442)	111.80%	189,590	-30.83%
2009	534,518	533,658	(860)	100.16%	242,460	-0.35%
2010	539,395	616,410	77,015	87.51%	221,460	34.78%
2011	523,272	597,816	74,544	87.53%	194,517	38.32%

**E. Subsequent Events**

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2012 through August 1, 2012, 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, 2012 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2012.

**TOWN OF HAMILTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**

	Original & Final Budget	Actual	Variance Positive (Negative)
<b>Sources of Revenues</b>			
<b>General Property Taxes</b>			
Real and personal property taxes	\$ 171,850	\$ 181,566	\$ 9,716
Penalties and interest	600	1,381	781
Total General Property Taxes	<u>172,450</u>	<u>182,947</u>	<u>10,497</u>
<b>Other Local Taxes</b>			
Sales taxes	43,000	47,815	4,815
Motor vehicle licenses	9,200	10,064	864
Consumer utility tax	27,000	28,800	1,800
Total Other Local Taxes	<u>79,200</u>	<u>86,679</u>	<u>7,479</u>
<b>Permits, Fees, and Licenses</b>			
Zoning income	500	1,150	650
Business licenses	10,000	7,095	(2,905)
Total Permits, Fees and Licenses	<u>10,500</u>	<u>8,245</u>	<u>(2,255)</u>
<b>Revenues from Use of Money and Property</b>			
Interest on bank deposits	6,136	4,904	(1,232)
<b>Miscellaneous Revenue</b>			
Donations	-	2,775	2,775
Park fees	400	900	500
Insurance claims	-	41,123	41,123
Other	1,150	617	(533)
Total miscellaneous revenue	<u>1,550</u>	<u>45,415</u>	<u>43,865</u>
<b>Intergovernmental</b>			
Loudoun County - litter grant	1,000	1,000	-
FEMA reimbursement	-	5,974	5,974
Virginia fire program	8,000	8,000	-
Virginia personal property tax	23,496	23,496	-
Total Intergovernmental	<u>32,496</u>	<u>38,470</u>	<u>5,974</u>
<b>Total General Fund Revenues</b>	<u>\$ 302,332</u>	<u>\$ 366,660</u>	<u>\$ 64,328</u>

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, 2012**

	Original & Final Budget	Actual	Variance Positive (Negative)
<b>General Government</b>			
Administration			
Permanent salaries	\$ 71,536	\$ 69,599	\$ 1,937
Payroll taxes	5,259	4,901	358
Pension contribution	4,811	5,184	(373)
Worker's benefits	18,133	19,628	(1,495)
Audit	12,000	12,588	(588)
Legal fees	36,000	38,783	(2,783)
Advertising	1,530	892	638
Postage and printing	3,800	4,008	(208)
Telephone	2,500	2,863	(363)
Mayor and Town Council contingencies	1,000	151	849
Training	900	1,078	(178)
General office expenses	6,550	4,905	1,645
Building and grounds			
Electricity	2,000	2,227	(227)
Maintenance	500	3,534	(3,034)
Mowing	15,000	15,780	(780)
Other expenses			
Insurance	17,043	27,961	(10,918)
Membership dues	545	649	(104)
Administrative contingencies	525	1,261	(736)
Recreation and activities	2,500	3,013	(513)
Planning commission	6,900	4,565	2,335
Computer/Software support	32,100	25,346	6,754
Total General Government	<u>241,132</u>	<u>248,916</u>	<u>(7,784)</u>
<b>Public Safety Donations</b>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<b>Public Works</b>			
Trash removal	44,300	40,619	3,681
Street lighting	5,400	6,762	(1,362)
Streets, sidewalks and signs	2,000	2,000	-
Total Public Works	<u>51,700</u>	<u>49,381</u>	<u>2,319</u>
<b>Debt Service</b>			
Principal	1,400	1,400	-
Interest	100	100	-
Total Debt Service	<u>1,500</u>	<u>1,500</u>	<u>-</u>
<b>Other Financing Uses</b>			
Transfers out	-	32,319	(32,319)
Total Other Financing Uses	<u>-</u>	<u>32,319</u>	<u>(32,319)</u>
Total General Fund Expenditures	<u>\$ 296,332</u>	<u>\$ 334,116</u>	<u>\$ (37,784)</u>

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, 2012**

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,250	\$ 8,269	\$ 18,519
Certificates of deposit	-	8,969	8,969
<b>Total assets</b>	<b>\$ 10,250</b>	<b>\$ 17,238</b>	<b>\$ 27,488</b>
<b>Liabilities and Fund Balances</b>			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	10,250	17,238	27,488
<b>Total liabilities and fund balance</b>	<b>\$ 10,250</b>	<b>\$ 17,238</b>	<b>\$ 27,488</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, 2012**

	<b>Special Revenue</b>		
	<b>Fire Programs Fund</b>	<b>Community Park Fund</b>	<b>Total</b>
<b>Revenues</b>			
Contributions	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Sales	-	-	-
Interest	5	24	29
<b>Total revenues</b>	<b>5</b>	<b>24</b>	<b>29</b>
<b>Expenditures</b>			
Public safety	21,620	-	21,620
Supplies	-	-	-
Maintenance	-	-	-
<b>Total expenditures</b>	<b>21,620</b>	<b>-</b>	<b>21,620</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(21,615)</b>	<b>24</b>	<b>(21,591)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	8,000	-	8,000
<b>Fund balances - beginning</b>	<b>23,865</b>	<b>17,214</b>	<b>41,079</b>
<b>Fund balances - ending</b>	<b>\$ 10,250</b>	<b>\$ 17,238</b>	<b>\$ 27,488</b>

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>
2003	152,597	137,677	19,763	8,772	175	1,735	320,719
2004	145,636	159,448	22,859	8,808	607	21,513	358,871
2005	153,159	173,519	33,707	14,451	2,241	22,097	399,174
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

**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>
2003	\$ 180,716	\$ 2,000	\$ 70,599	\$ -	\$ 253,315
2004	219,078	2,000	50,526	-	271,604
2005	251,155	4,000	52,923	1,277	309,355
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

**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>
2003	44,119,240	2,234,764	734,032	47,088,036
2004	47,764,756	2,708,305	890,725	51,363,786
2005	55,213,950	2,940,066	925,170	59,079,186
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

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>
2003	146,329	145,202	99.23%	7,395	152,597	104.28%
2004	163,231	161,980	99.23%	3,781	165,761	101.55%
2005	170,525	173,320	101.64%	913	174,233	102.17%
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%

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

**TOWN OF HAMILTON, VIRGINIA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2012**

Assessed value of taxable real property	<u>\$ 59,495,400</u>
Debt limit (10% of assessed value)	5,949,540
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 5,949,540</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, 2012 and excludes real property owned by public service corporations.