

TOWN OF HAMILTON, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**TOWN OF HAMILTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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**TOWN OF HAMILTON, VIRGINIA
JUNE 30, 2013**

MAYOR AND TOWN COUNCIL

Gregory K. Wilmoth, Mayor

Kenneth C. Wine, Vice Mayor
Brent A. Campbell
Dimitri N. Kesari

Michael E. Snyder
David R. Simpson
John D. Unger

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.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA

MEGAN R. JOLLON, CPA
AMANDA L. MASON, CPA
W. MATTHEW BURNS, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
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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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 information 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 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 is the responsibility of management and was 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 is 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.

September 30, 2013
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, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$9,270,921.
- The Town's total net position increased by \$291,643.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$1,166,022, an increase of \$40,703 in comparison with the prior year. The majority of this total amount, \$946,105 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$266,580 (15.7 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 liabilities 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 – 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 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 \$9,270,921 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, 2013.

Town of Hamilton – Net Position

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 986,494	\$ 2,100,472	\$ 3,086,966
Capital assets	192,421	7,591,446	7,783,867
Total Assets	1,178,915	9,691,918	10,870,833
Liabilities			
Long-term liabilities	4,163	1,278,891	1,283,054
Other liabilities	8,730	308,128	316,858
Total Liabilities	12,893	1,587,019	1,599,912
Net Position			
Nonspendable	192,421	6,162,431	6,354,852
Restricted	27,496	-	27,496
Unrestricted	946,105	1,942,468	2,888,573
Total Net Position	\$ 1,166,022	\$ 8,104,899	\$ 9,270,921

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 increased by \$291,643 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Hamilton’s net position by \$40,703. These changes are presented in column one of the following table:

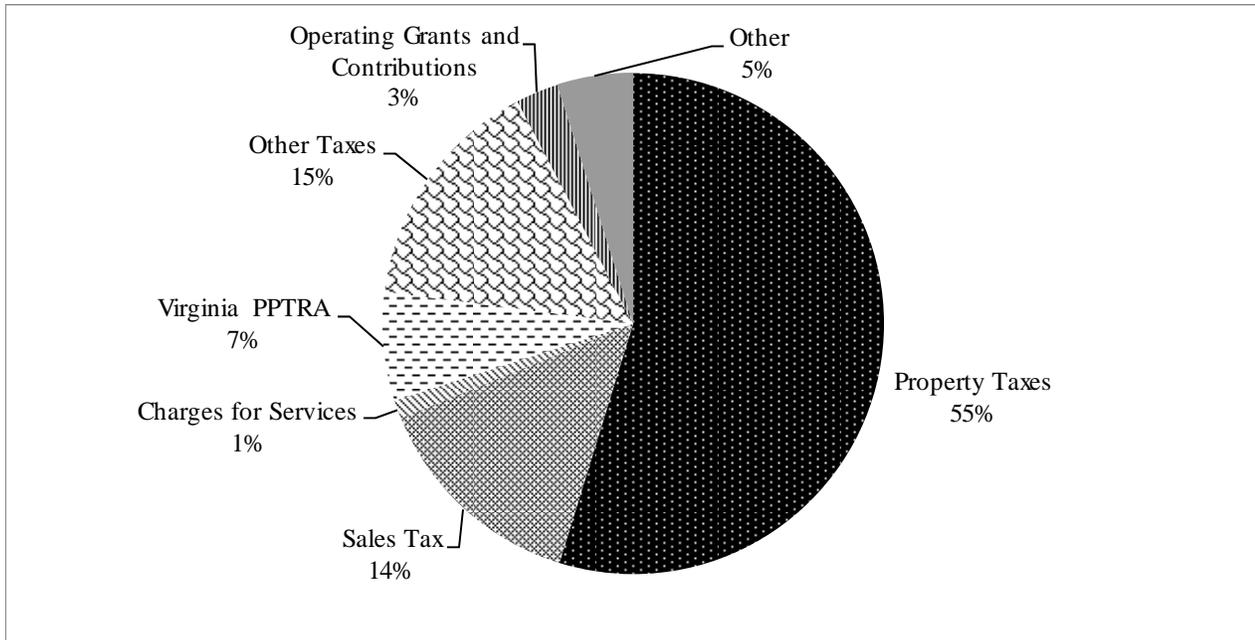
Town of Hamilton – Changes in Net Position

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 3,930	\$ 687,188	\$ 691,118
Operating grants and contributions	9,203	-	9,203
Capital grants and contributions	-	423,384	423,384
General Revenues			
Property taxes	183,597	-	183,597
Other taxes	122,144	-	122,144
Other	16,421	57,562	73,983
Total Revenues	335,295	1,168,134	1,503,429
Expenses			
General government	227,792	-	227,792
Public safety	48,334	-	48,334
Public works	11,544	-	11,544
Interest on long-term debt	5	-	5
Infrastructure depreciation	6,917	-	6,917
Water	-	446,313	446,313
Sewer	-	470,881	470,881
Total Expenses	294,592	917,194	1,211,786
Increase (Decrease) in Net Position	40,703	250,940	291,643
Net Position - 7/01/12	1,125,319	7,853,959	8,979,278
Net Position - 6/30/13	\$ 1,166,022	\$ 8,104,899	\$ 9,270,921

- Revenue from property taxes increased by \$805 (0.4 percent) during the year.

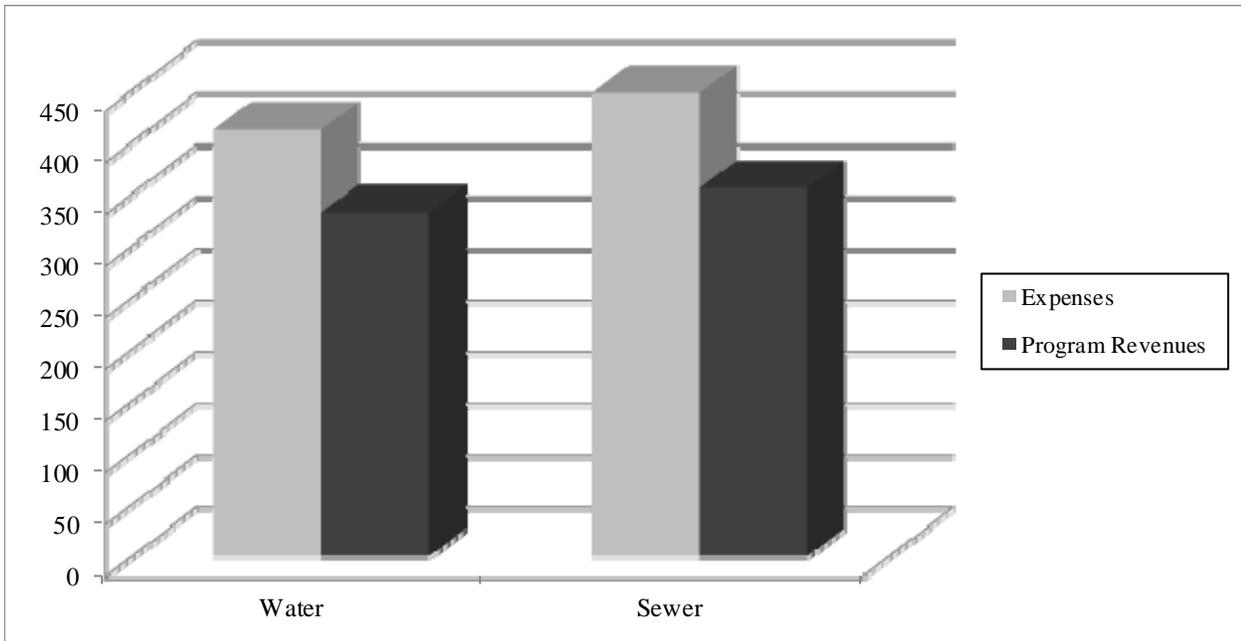
The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2013.

Revenues by Source – Governmental Activities

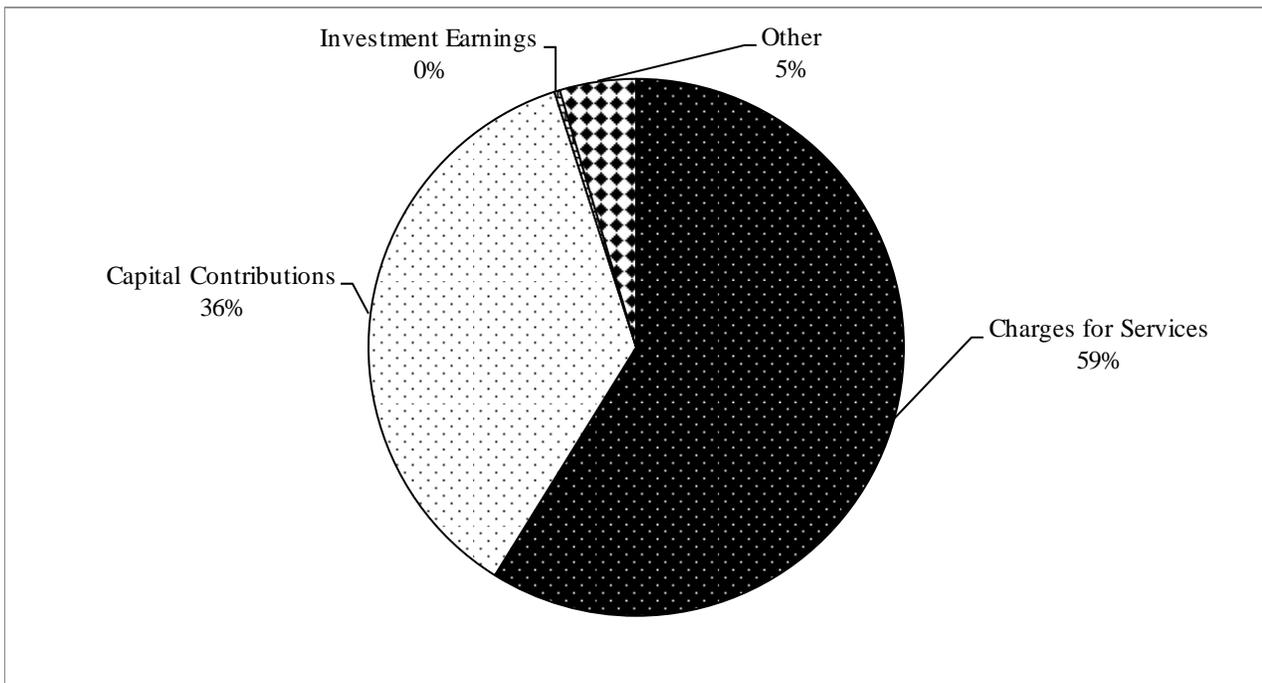


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- **Business-type activities.** Business-type activities increased the Town of Hamilton's net position by \$250,940, accounting for 86.0 percent of the increase in the Town's net position.
-

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 \$971,509, an increase of \$56,472 in comparison with the prior year. The majority of this total amount (\$929,022) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$42,487) 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 \$929,022 and the nonspendable fund balance of the general fund was \$14,991. 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 \$929,022 is more than 3 times the total general fund expenditures of \$271,127.

The fund balance of the Town of Hamilton, Virginia's general fund increased by \$56,464 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 \$4,322,788, and those for the sewer fund amounted to \$3,782,111. The total increase in net position for proprietary funds was \$250,940. 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, 2013, amounts to \$7,783,867 (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:

- Water tank painting

The table below summarizes the capital assets of the Town at June 30, 2013

**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	46,557	236,350	282,907
Utility distribution systems	-	6,820,391	6,820,391
Machinery and equipment	5,590	113,543	119,133
Infrastructure	23,315	-	23,315
TOTAL	\$ 192,421	\$ 7,591,446	\$ 7,783,867

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 \$1,429,015. 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 \$266,580 (15.7 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 \$6,076,434, 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 31 – 32 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 256,136	\$ 971,003	\$ 1,227,139
Certificate of deposits	532,548	777,481	1,310,029
Investments	162,203	145,530	307,733
Receivables			
Delinquent taxes, including penalties	2,092	-	2,092
Accrued interest	201	436	637
Accounts	2,489	96,956	99,445
Due from other governments	15,835	57,764	73,599
Prepays and other	14,990	15,291	30,281
Bond issuance costs	-	36,011	36,011
Capital assets (net of accumulated depreciation):			
Land	116,959	421,162	538,121
Buildings and improvements	46,557	236,350	282,907
Utility distribution systems	-	6,820,391	6,820,391
Machinery and equipment	5,590	113,543	119,133
Infrastructure	23,315	-	23,315
Total Assets	1,178,915	9,691,918	10,870,833
Liabilities			
Accounts payable	8,730	16,832	25,562
Banking advances	-	70,897	70,897
Accrued interest payable	-	17,767	17,767
Deferred revenue	-	19,500	19,500
Noncurrent liabilities:			
Due within one year	-	183,132	183,132
Due in more than one year	4,163	1,278,891	1,283,054
Total Liabilities	12,893	1,587,019	1,599,912
Net Position			
Invested in capital assets, net of related debt	192,421	6,162,431	6,354,852
Restricted	27,496	-	27,496
Unrestricted	946,105	1,942,468	2,888,573
Total Net Position	\$ 1,166,022	\$ 8,104,899	\$ 9,270,921

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, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Total
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants	Capital Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 227,792	\$ -	\$ 1,203	\$ -	\$ (226,589)	\$ -	\$ (226,589)
Public safety	48,334	-	8,000	-	(40,334)	-	(40,334)
Public works	11,544	-	-	-	(11,544)	-	(11,544)
Planning and zoning	-	3,930	-	-	3,930	-	3,930
Interest on long-term debt	5	-	-	-	(5)	-	(5)
Infrastructure depreciation	6,917	-	-	-	(6,917)	-	(6,917)
Total Governmental Activities	294,592	3,930	9,203	-	(281,459)	-	(281,459)
Business-type activities:							
Water	446,313	331,898	-	108,600	-	(5,815)	(5,815)
Sewer	470,881	355,290	-	314,784	-	199,193	199,193
Total Business-Type Activities	917,194	687,188	-	423,384	-	193,378	193,378
Total Primary Government	\$ 1,211,786	\$ 691,118	\$ 9,203	\$ 423,384	(281,459)	193,378	(88,081)
General Revenues:							
Property taxes					183,597	-	183,597
Sales taxes					47,255	-	47,255
Business and occupational taxes					10,513	-	10,513
Consumer taxes					29,850	-	29,850
Virginia personal property tax reduction					23,496	-	23,496
FEMA reimbursement					1,080	-	1,080
Motor vehicle licenses					11,030	-	11,030
Miscellaneous					12,565	-	12,565
Unrestricted investment earnings					2,776	3,892	6,668
Lease income					-	53,670	53,670
Total general revenues					322,162	57,562	379,724
Change in net position					40,703	250,940	291,643
Net position - beginning					1,125,319	7,853,959	8,979,278
Net position - ending					\$ 1,166,022	\$ 8,104,899	\$ 9,270,921

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

**TOWN OF HAMILTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 245,624	\$ 10,512	\$ 256,136
Certificates of deposit	523,564	8,984	532,548
Investments	162,203	-	162,203
Receivables:			
Property taxes	2,092	-	2,092
Accrued interest	201	-	201
Due from other governments	7,835	8,000	15,835
Prepays and other	17,479	-	17,479
Total Assets	\$ 958,998	\$ 27,496	\$ 986,494
Liabilities and Fund Balances			
Liabilities			
Accounts payable	8,730	-	8,730
Deferred revenue	2,092	-	2,092
Compensated absences payable	4,163	-	4,163
Total Liabilities	14,985	-	14,985
Fund balances:			
Nonspendable			
Prepaid expenses	14,991	-	14,991
Restricted			
Community park	-	17,258	17,258
Fire program	-	10,238	10,238
Unassigned	929,022	-	929,022
Total Fund Balances	944,013	27,496	971,509
Total Liabilities and Fund Balances	\$ 958,998	\$ 27,496	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds. 192,421

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,092

Net Position of governmental activities \$ 1,166,022

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
General property taxes	\$ 183,919	\$ -	\$ 183,919
Other local taxes	88,135	-	88,135
Permits, licenses, and fees	14,443	-	14,443
Interest	2,750	26	2,776
Intergovernmental	25,779	8,000	33,779
Miscellaneous	12,565	-	12,565
Total revenues	327,591	8,026	335,617
Expenditures			
General government administration	219,607	-	219,607
Public works	48,271	-	48,271
Public safety	2,000	8,018	10,018
Debt service:			
Principal	1,244	-	1,244
Interest	5	-	5
Total expenditures	271,127	8,018	279,145
Net change in fund balances	56,464	8	56,472
Fund balances - beginning	887,549	27,488	915,037
Fund balances - ending	\$ 944,013	\$ 27,496	\$ 971,509

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, 2013

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

Net change in fund balances - total governmental funds	\$ 56,472
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.	(16,691)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(322)
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 Position. 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>1,244</u>
Change in net position of governmental activities	<u><u>\$ 40,703</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, 2013

	Original & Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 172,260	\$ 183,919	\$ 11,659
Other local taxes	81,500	88,135	6,635
Permits, fees, and licenses	6,800	14,443	7,643
Interest	4,000	2,750	(1,250)
Miscellaneous	2,550	12,565	10,015
Intergovernmental	32,496	25,779	(6,717)
Total Revenues	299,606	327,591	27,985
Expenditures			
General government administration	240,357	219,607	20,750
Public safety donations	2,000	2,000	-
Public works	48,000	48,271	(271)
Debt service:			
Principal	1,244	1,244	-
Interest	5	5	-
Total Expenditures	291,606	271,127	20,479
Excess (deficiency) of Revenues over Expenditures	8,000	56,464	48,464
Other Financing Sources (Uses)			
Transfers (out)	(10,250)	-	10,250
Total other financing sources (uses)	(10,250)	-	10,250
Net change in fund balance	(2,250)	56,464	58,714
Fund balance - beginning	887,549	887,549	-
Fund balance - ending	\$ 885,299	\$ 944,013	\$ 58,714

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, 2013

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Assets					
Current assets					
Cash and cash equivalents	\$ 376,780	\$ 376,162	\$ 594,223	\$ 442,528	\$ 971,003
Certificates of deposit	140,557	140,025	636,924	634,429	777,481
Investments	23,975	23,936	121,555	121,357	145,530
Accounts receivable	43,072	42,635	53,884	49,409	96,956
Intergovernmental receivable	-	-	57,764	54,513	57,764
Accrued interest receivable	70	77	366	399	436
Prepaid expenses	7,762	7,779	7,529	8,302	15,291
Total current assets	592,216	590,614	1,472,245	1,310,937	2,064,461
Noncurrent assets					
Bond issuance costs	32,650	36,278	3,361	3,734	36,011
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,437,507	5,399,332	3,774,738	3,774,738	9,212,245
Equipment	291,474	281,996	340,588	340,588	632,062
Less accumulated depreciation	(1,468,778)	(1,307,201)	(2,137,852)	(1,996,347)	(3,606,630)
Total capital assets (net of accumulated depreciation)	4,673,951	4,787,875	2,917,495	3,059,000	7,591,446
Total noncurrent assets	4,706,601	4,824,153	2,920,856	3,062,734	7,627,457
Total Assets	5,298,817	5,414,767	4,393,101	4,373,671	9,691,918
Liabilities					
Current liabilities					
Accounts payable	9,285	3,746	7,547	5,153	16,832
Banking advances	70,897	161,051	-	-	70,897
Accrued interest payable	8,502	8,923	9,265	9,312	17,767
Deferred revenue	-	-	19,500	20,000	19,500
General obligation bonds - current	81,000	76,500	102,132	162,815	183,132
Total current liabilities	169,684	250,220	138,444	197,280	308,128
Noncurrent liabilities					
Compensated absences	3,987	3,788	9,541	5,266	13,528
Premium on bonds	59,674	66,304	6,629	7,366	66,303
Accounting charge on refinance	(26,816)	(29,795)	(20,007)	(22,230)	(46,823)
General obligation bonds payable	769,500	850,500	476,383	605,780	1,245,883
Total noncurrent liabilities	806,345	890,797	472,546	596,182	1,278,891
Total Liabilities	976,029	1,141,017	610,990	793,462	1,587,019
Net Position					
Invested in capital assets, net of related debt	3,823,451	3,860,875	2,338,980	2,290,405	6,162,431
Unrestricted	499,337	412,875	1,443,131	1,289,804	1,942,468
Total Net Position	\$ 4,322,788	\$ 4,273,750	\$ 3,782,111	\$ 3,580,209	\$ 8,104,899

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, 2013

	Business-type Activities - Enterprise Funds				
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Totals Current Year
Operating revenues					
Charges for services	\$ 305,476	\$ 306,700	\$ 305,706	\$ 303,832	\$ 611,182
Connection fees	20,400	10,200	45,500	15,500	65,900
Miscellaneous revenue	6,022	6,562	4,084	5,144	10,106
Total operating revenues	331,898	323,462	355,290	324,476	687,188
Operating expenses					
Personal service	77,406	84,707	111,232	110,123	188,638
Fringe benefits	24,590	26,514	33,833	44,481	58,423
Depreciation	161,577	152,152	141,505	143,673	303,082
Truck expense	3,510	12,544	3,470	12,866	6,980
Supplies	12,266	11,244	61,006	48,593	73,272
Repairs and maintenance	52,411	58,663	51,453	31,762	103,864
Water system integration	33,028	-	-	-	33,028
Utilities	36,224	38,824	31,958	33,166	68,182
Insurance	7,780	-	8,303	-	16,083
Telephone	1,652	2,161	3,509	3,316	5,161
Other charges	1,460	2,247	793	390	2,253
Total operating expenses	411,904	389,056	447,062	428,370	858,966
Operating income (loss)	(80,006)	(65,594)	(91,772)	(103,894)	(171,778)
Nonoperating revenues (expenses)					
Investment earnings	1,183	2,050	2,709	5,721	3,892
Lease income	53,670	49,401	-	-	53,670
Bond issuance costs	(6,607)	(6,607)	(2,596)	(1,762)	(9,203)
Interest expense	(27,802)	(29,854)	(21,223)	(25,616)	(49,025)
Total nonoperating revenue (expenses)	20,444	14,990	(21,110)	(21,657)	(666)
Income before contributions and transfers	(59,562)	(50,604)	(112,882)	(125,551)	(172,444)
Transfers and contributions					
Capital contributions	108,600	54,300	314,784	235,075	423,384
Transfers in	-	10,159	-	14,160	-
Change in net position	49,038	13,855	201,902	123,684	250,940
Total net position - beginning of year	4,273,750	4,259,895	3,580,209	3,456,525	7,853,959
Total net position - end of year	\$ 4,322,788	\$ 4,273,750	\$ 3,782,111	\$ 3,580,209	\$ 8,104,899

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 385,131	\$ 347,064	\$ 732,195
Payments to suppliers	(142,775)	(157,325)	(300,100)
Payments to employees	(101,797)	(140,790)	(242,587)
Net cash provided by operating activities	140,559	48,949	189,508
Cash Flows from Capital and Related Financing Activities			
Capital contributions	108,600	314,784	423,384
Acquisition and construction of capital assets	(47,653)	-	(47,653)
Principal paid on capital debt	(76,500)	(190,080)	(266,580)
Interest paid on capital debt	(34,853)	(22,007)	(56,860)
Net cash (provided by) used in capital and related financing activities	(50,406)	102,697	52,291
Cash Flows from Investing Activities			
(Purchases) redemption of certificates of deposit	(532)	(2,495)	(3,027)
Interest and dividends received	1,190	2,742	3,932
Net cash provided by investing activities	658	247	905
Net increase in cash and cash equivalents	90,811	151,893	242,704
Cash and cash equivalents July 1, 2012	239,047	563,885	802,932
Cash and cash equivalents June 30, 2013	\$ 329,858	\$ 715,778	\$ 1,045,636
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating loss	\$ (80,006)	\$ (91,772)	\$ (171,778)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	161,577	141,505	303,082
Lease income	53,670	-	53,670
(Increase) decrease in accounts receivable	(437)	(7,726)	(8,163)
Decrease in prepaid and other assets	17	273	290
Increase in operating accounts payable	5,539	2,394	7,933
Increase in compensated absences	199	4,275	4,474
Total adjustments	220,565	140,721	361,286
Net cash provided by operating activities	\$ 140,559	\$ 48,949	\$ 189,508

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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 and Net Position 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."

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

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 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.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position

Net position is the difference between assets and liabilities. 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.

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.

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.

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.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the following general fund departments:

Department	Excess Expenditures Over Appropriations
Public works	\$ 271

A. Deposits and Investments

Deposits

At year-end June 30, 2013 the carrying amount of the Town's deposits with banks and savings institutions was \$2,466,171 and the bank balance was \$2,503,154.

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, 2013, the Town had the following investments:

Type	Carrying Amount	Fair Value
LGIP Fund	\$ 307,733	\$ 307,733

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.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2013, 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	2,466,171	1,156,141	1,310,030
Investments	307,733	307,733	-
Total	\$ 2,774,004	\$ 1,463,974	\$ 1,310,030

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	\$ 2,092	\$ -	\$ -	\$ 2,092
Accounts				
Billed	2,489	16,087	26,997	45,573
Unbilled	-	26,985	26,887	53,872
Interest	201	70	366	637
Intergovernmental	15,835	-	57,764	73,599
Net total receivables	\$ 20,617	\$ 43,142	\$ 112,014	\$ 175,773

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 \$2,092 representing delinquent property taxes in the general fund.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

C. Due from Other Governments

At June 30, 2013 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia	
Fire Department Fund	\$ 8,000
Loudoun County, Virginia	
Sales tax	7,835
Special taxing district	57,764
	\$ 73,599

D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
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	66,155	-	-	66,155
Infrastructure	167,715	-	-	167,715
Total capital assets being depreciated	347,870	-	-	347,870
Less accumulated depreciation for:				
Buildings and improvements	(60,064)	(6,409)	-	(66,473)
Furniture and fixtures	473	-	-	473
Equipment	(58,643)	(3,365)	-	(62,008)
Infrastructure	(137,483)	(6,917)	-	(144,400)
Total accumulated depreciation	(255,717)	(16,691)	-	(272,408)
Net capital assets being depreciated	92,153	(16,691)	-	75,462
Governmental capital assets, net	\$ 209,112	\$ (16,691)	\$ -	\$ 192,421

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
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	38,175	-	5,689,489
Water treatment plant	3,522,756	-	-	3,522,756
Equipment	622,584	9,478	-	632,062
Total capital assets being depreciated	10,729,261	47,653	-	10,776,914
Less accumulated depreciation for:				
Buildings and improvements	(664,402)	(38,524)	-	(702,926)
Utility distribution systems	(1,939,455)	(145,603)	-	(2,085,058)
Water treatment plant	(217,921)	(88,877)	-	(306,798)
Equipment	(481,770)	(30,078)	-	(511,848)
Total accumulated depreciation	(3,303,548)	(303,082)	-	(3,606,630)
Net capital assets being depreciated	7,425,713	(255,429)	-	7,170,284
Business-type activities capital assets, net	\$ 7,846,875	\$ (255,429)	\$ -	\$ 7,591,446

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 6,409
Public works	3,365
Infrastructure depreciation	6,917
Total depreciation expense - governmental activities	<u>\$ 16,691</u>
Business-type activities:	
Water	\$ 161,577
Sewer	141,505
Total depreciation expense - business-type activities	<u>\$ 303,082</u>

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, 2013 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	\$ 484,015
\$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>945,000</u>
Total General Obligation Debt	<u><u>\$ 1,429,015</u></u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2014	183,132	55,847
2015	185,947	50,902
2016	193,847	44,717
2017	201,835	37,716
2018	199,254	30,039
2018 - 2022	465,000	39,340
Total	<u>\$ 1,429,015</u>	<u>\$ 258,561</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 2013, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$6,076,434, 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)

Long-term liability activity for the year ended June 30, 2013 was as follows:

	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Governmental activities:					
Capital lease	\$ 1,244	\$ -	\$ (1,244)	\$ -	\$ -
Compensated absences	3,203	960	-	4,163	-
Governmental activities long-term liabilities	<u>\$ 4,447</u>	<u>\$ 960</u>	<u>\$ (1,244)</u>	<u>\$ 4,163</u>	<u>\$ -</u>
Business-type activities:					
General obligation bonds	\$ 1,695,595	\$ -	\$ (266,580)	\$ 1,429,015	\$ 183,132
Compensated absences	9,054	4,474	-	13,528	-
Premiums on bonds	73,670	-	(7,367)	66,303	-
Accounting charge on refinance	(52,025)	-	5,202	(46,823)	-
Business-type activities long-term liabilities	<u>\$ 1,726,294</u>	<u>\$ 4,474</u>	<u>\$ (268,745)</u>	<u>\$ 1,462,023</u>	<u>\$ 183,132</u>

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.

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 2013 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ 108,600	\$ 111,600	\$ 220,200
Loudoun County - utility distribution systems support	-	88,000	88,000
Loudoun County - special tax district/debt service	-	115,184	115,184
	<u>\$ 108,600</u>	<u>\$ 314,784</u>	<u>\$ 423,384</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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 2013 the Town paid premiums of approximately \$4,000 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 2013, the Town paid contributions of approximately \$29,716 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, 2013, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 331,898	\$ 355,290	\$ 687,188
Operating expenses	411,904	447,062	858,966
Net nonoperating revenues (expenses)	20,444	(21,110)	(666)
Transfers and contributions	108,600	314,784	423,384
Net income (loss)	49,038	201,902	250,940
Acquisition of property	47,653	-	47,653
Total assets	5,298,817	4,393,101	9,691,918
Bonds payable	850,500	578,515	1,429,015
Total net position	4,322,788	3,782,111	8,104,899

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)

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

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.
- 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.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

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. All or part of this 5% member contribution may be 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 2013 was 13.65% of annual covered payroll.

Annual Pension Cost

For 2013, the Town’s annual pension cost of \$23,188 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:

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>% APC Funded</u>	<u>Net Pension Obligation</u>
2013	\$ 23,188	100%	None
2012	25,970	100%	None
2011	21,027	100%	None
2010	25,170	100%	None
2009	24,935	100%	None

The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 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, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years decreasing by one each year in subsequent valuations until reaching 20 years.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

Required Supplementary Information – Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 82.86% funded. The actuarial accrued liability for benefits was \$616,136 and the actuarial value of assets was \$510,524 resulting in an unfunded actuarial accrued liability (UAAL) of \$105,612. The covered payroll (annual payroll of active employees covered by the plan) was \$169,887, and ratio of the UAAL to the covered payroll was 62.17%.

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 June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
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%
2012	510,524	616,136	105,612	82.86%	169,887	62.17%

E. Subsequent Events

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2013 through September 30, 2013, 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, 2013 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2013.

TOWN OF HAMILTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues			
General Property Taxes			
Real and personal property taxes	\$ 171,760	\$ 182,961	\$ 11,201
Penalties and interest	500	958	458
Total General Property Taxes	<u>172,260</u>	<u>183,919</u>	<u>11,659</u>
Other Local Taxes			
Sales taxes	44,000	47,255	3,255
Motor vehicle licenses	9,500	11,030	1,530
Consumer utility tax	28,000	29,850	1,850
Total Other Local Taxes	<u>81,500</u>	<u>88,135</u>	<u>6,635</u>
Permits, Fees, and Licenses			
Zoning income	800	3,930	3,130
Business licenses	6,000	10,513	4,513
Total Permits, Fees and Licenses	<u>6,800</u>	<u>14,443</u>	<u>7,643</u>
Revenues from Use of Money and Property			
Interest on bank deposits	4,000	2,750	(1,250)
Miscellaneous Revenue			
Donations	-	2,432	2,432
Park fees	400	1,300	900
Other	2,150	8,833	6,683
Total miscellaneous revenue	<u>2,550</u>	<u>12,565</u>	<u>10,015</u>
Intergovernmental			
Loudoun County - litter grant	1,000	1,203	203
FEMA reimbursement	-	1,080	1,080
Virginia fire program	8,000	-	(8,000)
Virginia personal property tax	23,496	23,496	-
Total Intergovernmental	<u>32,496</u>	<u>25,779</u>	<u>(6,717)</u>
Total General Fund Revenues	<u>\$ 299,606</u>	<u>\$ 327,591</u>	<u>\$ 27,985</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, 2013

	Original & Final Budget	Actual	Variance Positive (Negative)
General Government			
Administration			
Permanent salaries	\$ 72,681	\$ 72,984	\$ (303)
Payroll taxes	5,346	5,298	48
Pension contribution	4,405	5,631	(1,226)
Worker's benefits	19,603	17,482	2,121
Audit	12,000	12,400	(400)
Legal fees	42,000	38,612	3,388
Advertising	1,490	2,488	(998)
Postage and printing	4,800	4,096	704
Telephone	2,500	3,453	(953)
Mayor and Town Council contingencies	1,000	-	1,000
Training	650	225	425
General office expenses	3,901	3,014	887
Building and grounds			
Electricity	2,000	2,195	(195)
Maintenance	3,500	684	2,816
Mowing	14,000	13,766	234
Other expenses			
Insurance	17,000	17,529	(529)
Membership dues	591	661	(70)
Administrative contingencies	2,490	2,743	(253)
Recreation and activities	2,500	1,575	925
Planning commission	6,900	3,850	3,050
Computer/Software support	21,000	10,921	10,079
Total General Government	<u>240,357</u>	<u>219,607</u>	<u>20,750</u>
Public Safety Donations	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Public Works			
Trash removal	42,000	41,520	480
Street lighting	6,000	6,751	(751)
Total Public Works	<u>48,000</u>	<u>48,271</u>	<u>(271)</u>
Debt Service			
Principal	1,244	1,244	-
Interest	5	5	-
Total Debt Service	<u>1,249</u>	<u>1,249</u>	<u>-</u>
Other Financing Uses			
Transfers out	10,250	-	10,250
Total Other Financing Uses	<u>10,250</u>	<u>-</u>	<u>10,250</u>
Total General Fund Expenditures	<u>\$ 301,856</u>	<u>\$ 271,127</u>	<u>\$ 30,729</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, 2013**

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Assets			
Cash and cash equivalents	\$ 2,238	\$ 8,274	\$ 10,512
Certificates of deposit	-	8,984	8,984
Accounts receivable	8,000	-	8,000
Total assets	\$ 10,238	\$ 17,258	\$ 27,496
Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	10,238	17,258	27,496
Total liabilities and fund balance	\$ 10,238	\$ 17,258	\$ 27,496

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, 2013

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Revenues			
Intergovernmental	\$ 8,000	\$ -	\$ 8,000
Interest	6	20	26
Total revenues	<u>8,006</u>	<u>20</u>	<u>8,026</u>
Expenditures			
Public safety	8,018	-	8,018
Total expenditures	<u>8,018</u>	<u>-</u>	<u>8,018</u>
Excess (deficiency) of revenues over (under) expenditures	(12)	20	8
Fund balances - beginning	<u>10,250</u>	<u>17,238</u>	<u>27,488</u>
Fund balances - ending	<u>\$ 10,238</u>	<u>\$ 17,258</u>	<u>\$ 27,496</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**

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses, Permits, and Fees	Interest	Miscellaneous	Inter- governmental	Total
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
2013	183,919	88,135	14,443	2,750	12,565	25,779	327,591

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

Fiscal Year	General Government	Public Safety	Public Works	Debt Service	Total
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
2013	219,607	2,000	48,271	1,249	271,127

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

Fiscal Year	Real Property	Personal Property	Public Utilities	Total
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
2013	60,129,870	3,479,651	2,001,322	65,610,843

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**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
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%
2013	183,088	182,064	99.44%	897	182,961	99.93%

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

**TOWN OF HAMILTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2013**

Assessed value of taxable real property	<u>\$ 60,764,340</u>
Debt limit (10% of assessed value)	6,076,434
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 6,076,434</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, 2013 and excludes real property owned by public service corporations.