

**TOWN OF HAMILTON, VIRGINIA**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**TOWN OF HAMILTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2014**

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**TOWN OF HAMILTON, VIRGINIA  
JUNE 30, 2014**

**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  
Daniel S. Galindo, AICP, 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  
W. MATTHEW BURNS, CPA  

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CERTIFIED PUBLIC ACCOUNTANTS  
  
VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Hamilton, Virginia, as of and for the year ended June 30, 2014, 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, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hamilton, Virginia's, basic financial statements. The accompanying information listed in the table of contents as supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

August 20, 2014  
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, 2014.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,764,682.
- The Town's total net position increased by \$529,772.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$1,205,975, an increase of \$39,953 in comparison with the prior year. The majority of this total amount, \$988,533 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$327,712 (22.9 percent) during the current fiscal year.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hamilton, Virginia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 37 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 38 – 41 of this report. Additional state required supplementary schedules follow the combining and individual fund statements and can be found on page 42 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 \$9,764,682 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, 2014.

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**Town of Hamilton – Net Position**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 1,009,058	\$ 2,344,911	\$ 3,353,969
Capital assets	206,836	7,392,352	7,599,188
Total Assets	<u>1,215,894</u>	<u>9,737,263</u>	<u>10,953,157</u>
Deferred Outflows of Resources	-	41,621	41,621
<b>Liabilities</b>			
Long-term liabilities	3,532	979,220	982,752
Other liabilities	8,856	222,457	231,313
Total Liabilities	<u>12,388</u>	<u>1,201,677</u>	<u>1,214,065</u>
Deferred Inflows of Resources	-	18,500	18,500
<b>Net Position</b>			
Nonspendable	192,421	6,291,050	6,483,471
Restricted	25,021	-	25,021
Unrestricted	988,533	2,267,657	3,256,190
Total Net Position	<u>\$ 1,205,975</u>	<u>\$ 8,558,707</u>	<u>\$ 9,764,682</u>

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

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

The Town’s net position increased by \$529,772 during the current fiscal year.

**Governmental activities.** Governmental activities increased the Town of Hamilton’s net position by \$39,953. These changes are presented in column one of the following table:

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

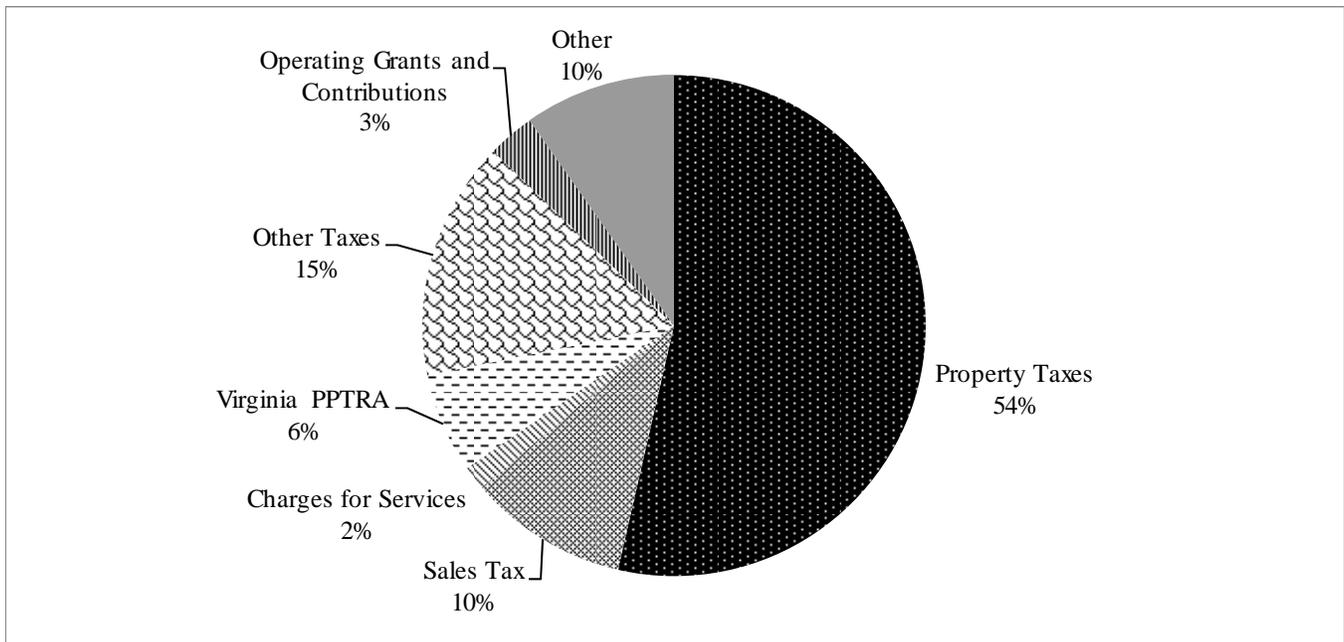
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 5,625	\$ 728,384	\$ 734,009
Operating grants and contributions	11,060	-	11,060
Capital grants and contributions	-	566,618	566,618
General Revenues			
Property taxes	195,977	-	195,977
Other taxes	117,331	-	117,331
Other	35,690	67,167	102,857
Total Revenues	<u>365,683</u>	<u>1,362,169</u>	<u>1,727,852</u>
Expenses			
General government	254,927	-	254,927
Public safety	14,545	-	14,545
Public works	51,367	-	51,367
Infrastructure depreciation	6,604	-	6,604
Water	-	434,164	434,164
Sewer	-	436,473	436,473
Total Expenses	<u>327,443</u>	<u>870,637</u>	<u>1,198,080</u>
Transfers	<u>1,713</u>	<u>(1,713)</u>	<u>-</u>
Increase (Decrease) in Net Position	39,953	489,819	529,772
Net Position - beginning	1,166,022	8,068,888	9,234,910
Net Position - ending	<u>\$ 1,205,975</u>	<u>\$ 8,558,707</u>	<u>\$ 9,764,682</u>

- Revenue from property taxes increased by \$12,380 (6.7 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 2014.

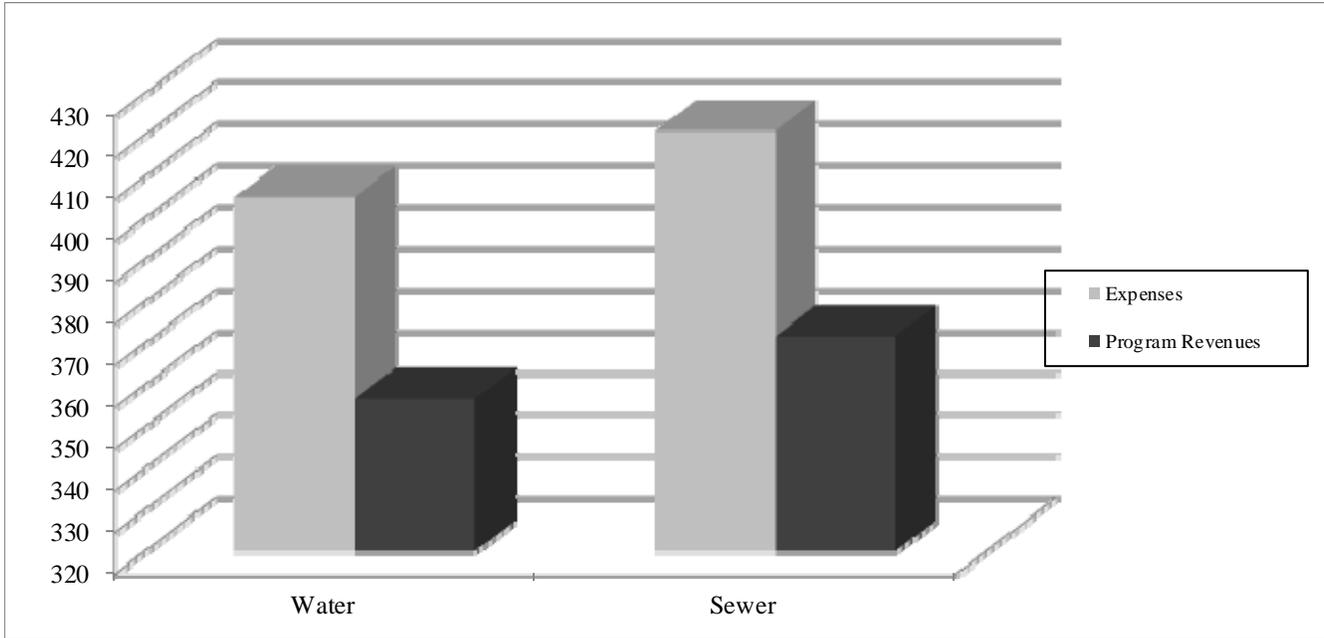
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**Revenues by Source – Governmental Activities**

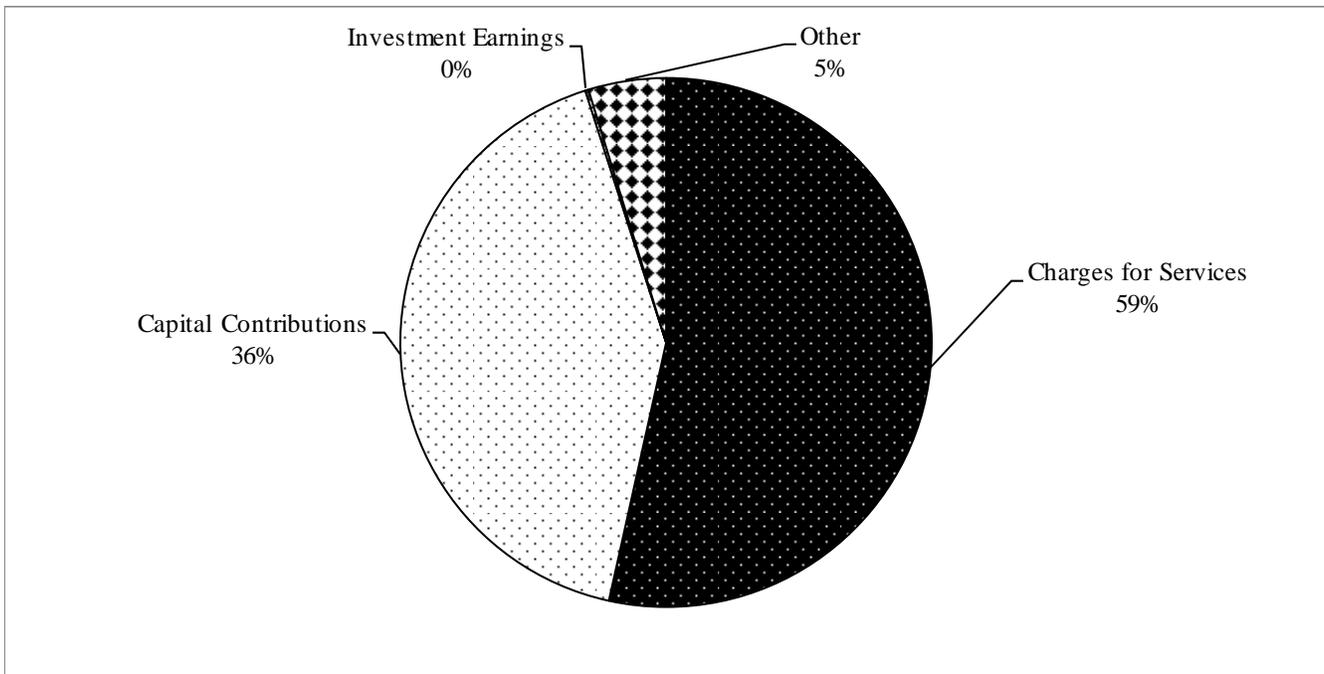


**Business-type activities.** Business-type activities increased the Town of Hamilton's net position by \$489,819, accounting for 92.5 percent of the increase in the Town's net position.

**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 \$995,170, an increase of \$23,661 in comparison with the prior year. The majority of this total amount (\$953,064) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$42,106) 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 \$953,064 and the nonspendable fund balance of the general fund was \$17,085. 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 \$953,064 is close to 3 times the total general fund expenditures of \$329,367.

The fund balance of the Town of Hamilton, Virginia's general fund increased by \$26,136 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 \$4,474,673, and those for the sewer fund amounted to \$4,084,034. The total increase in net position for proprietary funds was \$489,819. 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, 2014, amounts to \$7,599,188 (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
- Solar radar signs

The table below summarizes the capital assets of the Town at June 30, 2014.

<b>Town of Hamilton – Capital Assets (Net of accumulated depreciation)</b>			
	Governmental Activities	Business-type Activities	Total
Land	\$ 116,959	\$ 421,162	\$ 538,121
Buildings and improvements	40,148	192,880	233,028
Utility distribution systems	-	6,623,285	6,623,285
Machinery and equipment	33,018	155,025	188,043
Infrastructure	16,711	-	16,711
<b>TOTAL</b>	<b>\$ 206,836</b>	<b>\$ 7,392,352</b>	<b>\$ 7,599,188</b>

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

**Long-term debt.** At the end of the current fiscal year, the Town of Hamilton, Virginia had total bonded debt outstanding of \$1,101,303. 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 \$327,712 (22.9 percent) during the current fiscal year. The key factor in this decrease was the fact that debt was paid down during the current fiscal year, with an additional payment on principal.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Hamilton is \$6,531,911, which is in excess of the Town’s outstanding general obligation debt.

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

**Requests for Information**

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

**TOWN OF HAMILTON, VIRGINIA**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 283,562	\$ 1,241,212	\$ 1,524,774
Certificate of deposits	533,892	779,858	1,313,750
Investments	162,369	145,679	308,048
Receivables			
Delinquent taxes, including penalties	3,969	-	3,969
Accrued interest	35	78	113
Accounts	2,469	95,231	97,700
Due from other governments	8,146	67,218	75,364
Prepays and other	17,085	15,635	32,720
Bond issuance costs	-	-	-
Capital assets (net of accumulated depreciation):			
Land	116,959	421,162	538,121
Buildings and improvements	40,148	192,880	233,028
Utility distribution systems	-	6,623,285	6,623,285
Machinery and equipment	33,018	155,025	188,043
Infrastructure	16,711	-	16,711
<b>Total Assets</b>	<b>1,218,363</b>	<b>9,737,263</b>	<b>10,955,626</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunded debt	-	41,621	41,621
<b>Liabilities</b>			
Accounts payable	8,856	13,500	22,356
Banking advances	-	-	-
Accrued interest payable	-	14,166	14,166
Noncurrent liabilities:			
Due within one year	-	194,791	194,791
Due in more than one year	3,532	979,220	982,752
<b>Total Liabilities</b>	<b>12,388</b>	<b>1,201,677</b>	<b>1,214,065</b>
<b>Deferred Inflows of Resources</b>			
Deferred connection fees	-	18,500	18,500
<b>Net Position</b>			
Invested in capital assets, net of related debt	192,421	6,291,050	6,483,471
Restricted	25,021	-	25,021
Unrestricted	988,533	2,267,657	3,256,190
<b>Total Net Position</b>	<b>\$ 1,205,975</b>	<b>\$ 8,558,707</b>	<b>\$ 9,764,682</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, 2014**

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	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 254,927	\$ -	\$ 1,060	\$ -	\$ (253,867)	\$ -	\$ (253,867)
Public safety	14,545	-	10,000	-	(4,545)	-	(4,545)
Public works	51,367	-	-	-	(51,367)	-	(51,367)
Planning and zoning	-	5,625	-	-	5,625	-	5,625
Infrastructure depreciation	6,604	-	-	-	(6,604)	-	(6,604)
Total Governmental Activities	<u>327,443</u>	<u>5,625</u>	<u>11,060</u>	<u>-</u>	<u>(310,758)</u>	<u>-</u>	<u>(310,758)</u>
Business-type activities:							
Water	434,164	356,714	-	199,100	-	121,650	121,650
Sewer	436,473	371,670	-	367,518	-	302,715	302,715
Total Business-Type Activities	<u>870,637</u>	<u>728,384</u>	<u>-</u>	<u>566,618</u>	<u>-</u>	<u>424,365</u>	<u>424,365</u>
Total Primary Government	<u>\$ 1,198,080</u>	<u>\$ 734,009</u>	<u>\$ 11,060</u>	<u>\$ 566,618</u>	<u>(310,758)</u>	<u>424,365</u>	<u>113,607</u>
General Revenues:							
Property taxes					195,977	-	195,977
Sales taxes					37,556	-	37,556
Business and occupational taxes					16,658	-	16,658
Consumer taxes					29,123	-	29,123
Virginia personal property tax reduction					23,496	-	23,496
VML safety grant					1,401	-	1,401
Loudoun County solar radar signs					30,000	-	30,000
Motor vehicle licenses					10,498	-	10,498
Miscellaneous					2,642	-	2,642
Unrestricted investment earnings					1,647	2,619	4,266
Lease income					-	64,548	64,548
Transfers in (out)					1,713	(1,713)	-
Total general revenues					<u>350,711</u>	<u>65,454</u>	<u>416,165</u>
Change in net position					39,953	489,819	529,772
Net position - beginning					<u>1,166,022</u>	<u>8,068,888</u>	<u>9,234,910</u>
Net position - ending					<u>\$ 1,205,975</u>	<u>\$ 8,558,707</u>	<u>\$ 9,764,682</u>

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

**TOWN OF HAMILTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 268,538	\$ 15,024	\$ 283,562
Certificates of deposit	524,895	8,997	533,892
Investments	162,369	-	162,369
Receivables:			
Property taxes	3,969	-	3,969
Accrued interest	35	-	35
Other	2,469	-	2,469
Due from other governments	7,146	1,000	8,146
Prepays and other	17,085	-	17,085
<b>Total Assets</b>	<b>\$ 986,506</b>	<b>\$ 25,021</b>	<b>\$ 1,011,527</b>
<b>Liabilities</b>			
Accounts payable	8,856	-	8,856
Compensated absences payable	3,532	-	3,532
<b>Total Liabilities</b>	<b>12,388</b>	<b>-</b>	<b>12,388</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	3,969	-	3,969
<b>Fund Balances</b>			
Nonspendable			
Prepaid expenses	17,085	-	17,085
Restricted			
Community park	-	17,273	17,273
Fire program	-	7,748	7,748
Unassigned	953,064	-	953,064
<b>Total Fund Balances</b>	<b>970,149</b>	<b>25,021</b>	<b>995,170</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 986,506</b>	<b>\$ 25,021</b>	

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.	206,836
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,969

Net position of governmental activities	<u>\$ 1,205,975</u>
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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, 2014**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
General property taxes	\$ 194,100	\$ -	\$ 194,100
Other local taxes	77,177	-	77,177
Permits, licenses, and fees	22,283	-	22,283
Interest	1,631	16	1,647
Intergovernmental	55,957	10,000	65,957
Miscellaneous	2,642	-	2,642
<b>Total revenues</b>	<b>353,790</b>	<b>10,016</b>	<b>363,806</b>
<b>Expenditures</b>			
General government administration	\$ 248,337	\$ -	\$ 248,337
Public works	79,030	-	79,030
Public safety	2,000	12,491	14,491
<b>Total expenditures</b>	<b>329,367</b>	<b>12,491</b>	<b>341,858</b>
<b>Net change in fund balances</b>	<b>24,423</b>	<b>(2,475)</b>	<b>21,948</b>
<b>Other Financing Sources (Uses)</b>			
Transfers (out) in	1,713	-	1,713
<b>Total other financing sources (uses)</b>	<b>1,713</b>	<b>-</b>	<b>1,713</b>
<b>Net change in fund balances</b>	<b>26,136</b>	<b>(2,475)</b>	<b>23,661</b>
<b>Fund balances - beginning</b>	<b>944,013</b>	<b>27,496</b>	<b>971,509</b>
<b>Fund balances - ending</b>	<b>\$ 970,149</b>	<b>\$ 25,021</b>	<b>\$ 995,170</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, 2014**

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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	\$ 23,661
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.	29,985
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.	(15,570)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,877
	<hr/>
Change in net position of governmental activities	<u><u>\$ 39,953</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, 2014**

	<b>Original &amp; Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
General property taxes	\$ 181,613	\$ 194,100	\$ 12,487
Other local taxes	86,000	77,177	(8,823)
Permits, fees, and licenses	7,800	22,283	14,483
Interest	2,056	1,631	(425)
Miscellaneous	3,850	2,642	(1,208)
Intergovernmental	54,696	55,957	1,261
<b>Total Revenues</b>	<b>336,015</b>	<b>353,790</b>	<b>17,775</b>
<b>Expenditures</b>			
General government administration	259,965	248,337	11,628
Public safety donations	2,000	2,000	-
Public works	77,900	79,030	(1,130)
<b>Total Expenditures</b>	<b>339,865</b>	<b>329,367</b>	<b>10,498</b>
<b>Excess (deficiency) of Revenues over Expenditures</b>	<b>(3,850)</b>	<b>24,423</b>	<b>28,273</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	-	1,713	1,713
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,713</b>	<b>1,713</b>
<b>Net change in fund balance</b>	<b>(3,850)</b>	<b>26,136</b>	<b>29,986</b>
<b>Fund balance - beginning</b>	<b>944,013</b>	<b>944,013</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 940,163</b>	<b>\$ 970,149</b>	<b>\$ 29,986</b>

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

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 471,716	\$ 376,780	\$ 769,496	\$ 594,223	\$ 1,241,212
Certificates of deposit	140,971	140,557	638,887	636,924	779,858
Investments	24,000	23,975	121,679	121,555	145,679
Accounts receivable	45,612	43,072	49,619	53,884	95,231
Intergovernmental receivable	-	-	67,218	57,764	67,218
Accrued interest receivable	13	70	65	366	78
Prepaid expenses	8,360	7,762	7,275	7,529	15,635
Total current assets	690,672	592,216	1,654,239	1,472,245	2,344,911
Noncurrent assets					
Bond issuance costs	-	32,650	-	3,361	-
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,477,907	5,437,507	3,771,500	3,774,738	9,249,407
Equipment	341,600	291,474	351,509	340,588	693,109
Less accumulated depreciation	(1,633,697)	(1,468,778)	(2,270,236)	(2,137,852)	(3,903,933)
Total capital assets (net of accumulated depreciation)	4,599,558	4,673,951	2,792,794	2,917,495	7,392,352
Total noncurrent assets	4,599,558	4,706,601	2,792,794	2,920,856	7,392,352
<b>Total Assets</b>	<b>5,290,230</b>	<b>5,298,817</b>	<b>4,447,033</b>	<b>4,393,101</b>	<b>9,737,263</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunded debt	23,837	26,816	17,784	20,007	41,621
<b>Liabilities</b>					
Current liabilities					
Accounts payable	2,843	9,285	10,657	7,547	13,500
Banking advances	-	70,897	-	-	-
Accrued interest payable	8,057	8,502	6,109	9,265	14,166
General obligation bonds - current	81,000	81,000	113,791	102,132	194,791
Total current liabilities	91,900	169,684	130,557	118,944	222,457
Noncurrent liabilities					
Compensated absences	5,950	3,987	7,822	9,541	13,772
Premium on bonds	53,044	59,674	5,892	6,629	58,936
General obligation bonds payable	688,500	769,500	218,012	476,383	906,512
Total noncurrent liabilities	747,494	833,161	231,726	492,553	979,220
<b>Total Liabilities</b>	<b>839,394</b>	<b>1,002,845</b>	<b>362,283</b>	<b>611,497</b>	<b>1,201,677</b>
<b>Deferred Inflows of Resources</b>					
Deferred connection fees	-	-	18,500	19,500	18,500
<b>Net Position</b>					
Invested in capital assets, net of related debt	3,830,059	3,823,451	2,460,991	2,338,980	6,291,050
Unrestricted	644,614	499,337	1,623,043	1,443,131	2,267,657
<b>Total Net Position</b>	<b>\$ 4,474,673</b>	<b>\$ 4,322,788</b>	<b>\$ 4,084,034</b>	<b>\$ 3,782,111</b>	<b>\$ 8,558,707</b>

**TOWN OF HAMILTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

	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	\$ 307,731	\$ 305,476	\$ 304,491	\$ 305,706	\$ 612,222
Connection fees	37,400	20,400	61,000	45,500	98,400
Miscellaneous revenue	11,583	6,022	6,179	4,084	17,762
Total operating revenues	<u>356,714</u>	<u>331,898</u>	<u>371,670</u>	<u>355,290</u>	<u>728,384</u>
<b>Operating expenses</b>					
Personal service	95,609	77,406	93,045	111,232	188,654
Fringe benefits	28,596	24,590	34,086	33,833	62,682
Depreciation	164,919	161,577	135,622	141,505	300,541
Truck expense	2,322	3,510	2,322	3,470	4,644
Supplies	5,823	12,266	60,114	61,006	65,937
Repairs and maintenance	31,158	52,411	55,313	51,453	86,471
Water system integration	29,205	33,028	-	-	29,205
Utilities	36,558	36,224	29,627	31,958	66,185
Insurance	6,509	7,780	6,508	8,303	13,017
Telephone	926	1,652	3,830	3,509	4,756
Other charges	3,515	1,460	479	793	3,994
Total operating expenses	<u>405,140</u>	<u>411,904</u>	<u>420,946</u>	<u>447,062</u>	<u>826,086</u>
Operating income (loss)	<u>(48,426)</u>	<u>(80,006)</u>	<u>(49,276)</u>	<u>(91,772)</u>	<u>(97,702)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	800	1,183	1,819	2,709	2,619
Lease income	64,548	53,670	-	-	64,548
Bond issuance costs	(2,979)	(6,607)	(2,223)	(2,596)	(5,202)
Interest expense	(26,045)	(27,802)	(13,304)	(21,223)	(39,349)
Total nonoperating revenue (expenses)	<u>36,324</u>	<u>20,444</u>	<u>(13,708)</u>	<u>(21,110)</u>	<u>22,616</u>
Income before contributions and transfers	(12,102)	(59,562)	(62,984)	(112,882)	(75,086)
<b>Transfers and contributions</b>					
Capital contributions	199,100	108,600	367,518	314,784	566,618
Transfers in (out)	(2,463)	-	750	-	(1,713)
<b>Change in net position</b>	184,535	49,038	305,284	201,902	489,819
<b>Total net position - beginning of year</b>	<u>4,290,138</u>	<u>4,273,750</u>	<u>3,778,750</u>	<u>3,580,209</u>	<u>8,068,888</u>
<b>Total net position - end of year</b>	<u>\$ 4,474,673</u>	<u>\$ 4,322,788</u>	<u>\$ 4,084,034</u>	<u>\$ 3,782,111</u>	<u>\$ 8,558,707</u>

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, 2014**

	<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	\$ 418,722	\$ 365,481	\$ 784,203
Payments to suppliers	(123,056)	(154,829)	(277,885)
Payments to employees	(122,242)	(128,850)	(251,092)
Net cash provided by (used in) operating activities	173,424	81,802	255,226
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund transfers	(2,463)	750	(1,713)
Net cash provided by (used in) capital and related financing activities	(2,463)	750	(1,713)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	199,100	367,518	566,618
Acquisition and construction of capital assets	(90,526)	(10,921)	(101,447)
Principal paid on capital debt	(81,000)	(246,712)	(327,712)
Interest paid on capital debt	(33,120)	(17,197)	(50,317)
Net cash provided by (used in) capital and related financing activities	(5,546)	92,688	87,142
<b>Cash Flows from Investing Activities</b>			
(Purchases) redemption of certificates of deposit	(414)	(1,963)	(2,377)
Interest and dividends received	857	2,120	2,977
Net cash provided by investing activities	443	157	600
Net increase in cash and cash equivalents	165,858	175,397	341,255
Cash and cash equivalents July 1, 2013	329,858	715,778	1,045,636
Cash and cash equivalents June 30, 2014	\$ 495,716	\$ 891,175	\$ 1,386,891
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (48,426)	\$ (49,276)	\$ (97,702)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	164,919	135,622	300,541
Lease income	64,548	-	64,548
(Increase) decrease in accounts receivable	(2,540)	(5,189)	(7,729)
(Increase) decrease in prepaid and other assets	(598)	(746)	(1,344)
Increase (decrease) in operating accounts payable	(6,442)	3,110	(3,332)
Increase (decrease) in compensated absences	1,963	(1,719)	244
Total adjustments	221,850	131,078	352,928
Net cash provided by operating activities	\$ 173,424	\$ 81,802	\$ 255,226

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

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### A. Reporting Entity

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

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

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

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes are not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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

Private-sector standards of accounting and financial reporting issued prior to December 2, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

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

##### 1. Deposits and Investments

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

##### 2. Receivables and Payables

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

**3. Capital Assets**

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

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

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

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

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

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 4. Compensated Absences

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

#### 5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town of Hamilton only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary funds financial statement of net position and government wide financial statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town of Hamilton has only one type of item, which arises only under modified accrual basis of accounting, which qualifies for reporting in this category under the governmental funds and one type of item, which qualifies for reporting in this category under the business-type activities. Accordingly the item for the governmental funds, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes. The item for the business-type activities, deferred connection fees, is reported in the proprietary funds financial statement of net position and government wide financial statement of net position. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

# TOWN OF HAMILTON, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 7. Fund Equity

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

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

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

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

#### 8. Net Position

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

#### 9. Estimates

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

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**10. Comparative Data**

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

**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, 2014, expenditures exceeded appropriations in the following general fund departments:

Department	Excess Expenditures Over Appropriations
Public Works	<u>\$ 1,130</u>

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

**A. Deposits and Investments**

*Deposits*

At year-end June 30, 2014 the carrying amount of the Town's deposits with banks and savings institutions was \$2,838,424 and the bank balance was \$2,843,235.

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**

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

*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, 2014, the Town had the following investments:

Type	Carrying Amount	Fair Value
LGIP Fund	\$ 308,048	\$ 308,048

*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, 2014, 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	2,838,424	1,524,674	1,313,750
Investments	308,048	308,048	-
Total	\$ 3,146,572	\$ 1,832,822	\$ 1,313,750

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**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	\$ 3,969	\$ -	\$ -	\$ 3,969
Accounts				
Billed	2,469	15,730	24,048	42,247
Unbilled	-	28,147	25,571	53,718
Interest	35	13	65	113
Intergovernmental	8,146	-	67,218	75,364
Other	-	1,735	-	1,735
Net total receivables	<u>\$ 14,619</u>	<u>\$ 45,625</u>	<u>\$ 116,902</u>	<u>\$ 177,146</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 \$3,969 representing delinquent property taxes in the general fund.

**C. Due from Other Governments**

At June 30, 2014 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia	
Fire Department Fund	\$ 1,000
Loudoun County, Virginia	
Sales tax	7,146
Special taxing district	67,218
	<u>\$ 75,364</u>

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2014 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	66,155	29,985	-	96,140
Infrastructure	167,715	-	-	167,715
Total capital assets being depreciated	<u>347,870</u>	<u>29,985</u>	<u>-</u>	<u>377,855</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,473)	(6,409)	-	(72,882)
Furniture and fixtures	473	-	-	473
Equipment	(62,008)	(2,557)	-	(64,565)
Infrastructure	(144,400)	(6,604)	-	(151,004)
Total accumulated depreciation	<u>(272,408)</u>	<u>(15,570)</u>	<u>-</u>	<u>(287,978)</u>
Net capital assets being depreciated	<u>75,462</u>	<u>14,415</u>	<u>-</u>	<u>89,877</u>
Governmental capital assets, net	<u>\$ 192,421</u>	<u>\$ 14,415</u>	<u>\$ -</u>	<u>\$ 206,836</u>

**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
<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	5,689,489	40,400	(3,238)	5,726,651
Water treatment plant	3,522,756	-	-	3,522,756
Equipment	632,062	61,047	-	693,109
Total capital assets being depreciated	10,776,914	101,447	(3,238)	10,875,123
Less accumulated depreciation for:				
Buildings and improvements	(702,926)	(36,801)	-	(739,727)
Utility distribution systems	(2,085,058)	(148,627)	3,238	(2,230,447)
Water treatment plant	(306,798)	(88,877)	-	(395,675)
Equipment	(511,848)	(26,236)	-	(538,084)
Total accumulated depreciation	(3,606,630)	(300,541)	3,238	(3,903,933)
Net capital assets being depreciated	7,170,284	(199,094)	-	6,971,190
Business-type activities capital assets, net	\$ 7,591,446	\$ (199,094)	\$ -	\$ 7,392,352

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

Activity	Depreciation
<b>Governmental activities:</b>	
General government administration	\$ 6,409
Public works	2,557
Infrastructure depreciation	6,604
Total depreciation expense - governmental activities	\$ 15,570
<b>Business-type activities:</b>	
Water	\$ 164,919
Sewer	135,622
Total depreciation expense - business-type activities	\$ 300,541

**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, 2014 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	\$ 246,303
 \$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>855,000</u>
 Total General Obligation Debt	<u><u>\$ 1,101,303</u></u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2015	194,791	42,059
2016	202,935	35,630
2017	133,577	28,379
2018	105,000	22,773
2019	110,000	17,533
2020 - 2022	355,000	21,807
Total	<u>\$ 1,101,303</u>	<u>\$ 168,181</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 2014, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$6,531,911, 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, 2014 was as follows:

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 4,163	\$ -	\$ (631)	\$ 3,532	\$ -
Governmental activities long-term liabilities	\$ 4,163	\$ -	\$ (631)	\$ 3,532	\$ -
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,429,015	\$ -	\$ (327,712)	\$ 1,101,303	\$ 194,791
Compensated absences	13,528	244	-	13,772	-
Premiums on bonds	66,303	-	(7,367)	58,936	-
Accounting charge on refinance	(46,823)	-	5,202	(41,621)	-
Business-type activities long-term liabilities	\$ 1,462,023	\$ 244	\$ (329,877)	\$ 1,132,390	\$ 194,791

*Advance Refundings*

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

**F. Capital Contributions**

Contributed capital for the water and sewer funds consists of funds received from developers, individuals, and other governmental units for use in aid of construction and support of the utility system. A summary of capital contributions collected during fiscal year 2014 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ 199,100	\$ 148,800	\$ 347,900
Loudoun County - utility distribution systems support	-	88,000	88,000
Loudoun County - special tax district/debt service	-	130,718	130,718
	\$ 199,100	\$ 367,518	\$ 566,618

**TOWN OF HAMILTON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. Risk Management**

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

**VMGSIA:** The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2014 the Town paid premiums of approximately \$2,322 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 2014, the Town paid contributions of approximately \$27,961 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, 2014, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 356,714	\$ 371,670	\$ 728,384
Operating expenses	405,140	420,946	826,086
Net nonoperating revenues (expenses)	36,324	(13,708)	22,616
Transfers and contributions	196,637	368,268	564,905
Net income	184,535	305,284	489,819
Acquisition of property	90,526	10,921	101,447
Total assets	5,290,230	4,447,033	9,737,263
Bonds payable	769,500	331,803	1,101,303
Total net position	4,474,673	4,084,034	8,558,707

**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

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#### 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**

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**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/2013-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 2014 was 13.65% of annual covered payroll.

**Annual Pension Cost**

For 2014, the Town’s annual pension cost of \$24,865 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>
2014	\$ 24,865	100%	None
2013	23,188	100%	None
2012	25,970	100%	None
2011	21,027	100%	None
2010	25,170	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 3.50% to 5.35% 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, 2014 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years decreasing by one each year in subsequent valuations until reaching 0 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, 2013, the most recent actuarial valuation date, the plan was 83.91% funded. The actuarial accrued liability for benefits was \$611,060 and the actuarial value of assets was \$512,743 resulting in an unfunded actuarial accrued liability (UAAL) of \$98,317. The covered payroll (annual payroll of active employees covered by the plan) was \$167,936, and ratio of the UAAL to the covered payroll was 58.54%.

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)
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%
2013	512,743	611,060	98,317	83.91%	167,936	58.54%

**E. Change in Accounting Principles**

In the current fiscal year, the Town of Hamilton adopted the provisions of GASB Statement 65, Items Previously Reported as Assets and Liabilities (Statement No. 65). The provisions of Statement No. 65 relevant to the Town of Hamilton related to changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. Statement No. 65 also requires that deferred charges (credit) resulting from the refunding of debt be presented as a deferred outflows (inflows) of resources and not as assets or liabilities. As the provisions of Statement No. 65 were effective July 1, 2013, net position as of that date has been adjusted accordingly:

	Business- type Activities
Net position, as previously reported	\$8,104,899
Adjustment: Debt issuance costs	(36,011)
Net position, as adjusted	<u>\$8,068,888</u>

**F. Subsequent Events**

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2014 through August 20, 2014, 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, 2014 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2014.

**TOWN OF HAMILTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	Original & Final Budget	Actual	Variance Positive (Negative)
<b>Sources of Revenues</b>			
<b>General Property Taxes</b>			
Real and personal property taxes	\$ 181,063	\$ 193,246	\$ 12,183
Penalties and interest	550	854	304
Total General Property Taxes	<u>181,613</u>	<u>194,100</u>	<u>12,487</u>
<b>Other Local Taxes</b>			
Sales taxes	48,000	37,556	(10,444)
Motor vehicle licenses	10,000	10,498	498
Consumer utility tax	28,000	29,123	1,123
Total Other Local Taxes	<u>86,000</u>	<u>77,177</u>	<u>(8,823)</u>
<b>Permits, Fees, and Licenses</b>			
Zoning income	800	5,625	4,825
Business licenses	7,000	16,658	9,658
Total Permits, Fees and Licenses	<u>7,800</u>	<u>22,283</u>	<u>14,483</u>
<b>Revenues from Use of Money and Property</b>			
Interest on bank deposits	2,056	1,631	(425)
<b>Miscellaneous Revenue</b>			
Donations	2,000	1,000	(1,000)
Park fees	500	1,350	850
Other	1,350	292	(1,058)
Total miscellaneous revenue	<u>3,850</u>	<u>2,642</u>	<u>(1,208)</u>
<b>Intergovernmental</b>			
Loudoun County - litter grant	1,200	1,060	(140)
Loudoun County - solar radar signs	30,000	30,000	-
VML safety grant	-	1,401	1,401
Virginia personal property tax	23,496	23,496	-
Total Intergovernmental	<u>54,696</u>	<u>55,957</u>	<u>1,261</u>
<b>Total General Fund Revenues</b>	<u>\$ 336,015</u>	<u>\$ 353,790</u>	<u>\$ 17,775</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, 2014**

	Original & Final Budget	Actual	Variance Positive (Negative)
<b>General Government</b>			
Administration			
Permanent salaries	\$ 74,658	\$ 74,788	\$ (130)
Payroll taxes	5,497	5,489	8
Pension contribution	6,318	5,298	1,020
Worker's benefits	20,557	21,604	(1,047)
Audit	12,400	12,600	(200)
Legal fees	49,000	54,299	(5,299)
Advertising	1,700	2,430	(730)
Postage and printing	4,300	3,456	844
Telephone	3,400	4,093	(693)
Mayor and Town Council contingencies	500	384	116
Training	650	310	340
General office expenses	7,650	7,106	544
Building and grounds			
Electricity	2,000	2,472	(472)
Maintenance	5,800	4,442	1,358
Mowing	12,000	11,130	870
Other expenses			
Engineering services	6,300	-	6,300
Insurance	14,957	14,944	13
Membership dues	603	886	(283)
Administrative contingencies	525	650	(125)
Recreation and activities	2,500	2,399	101
Planning commission	6,150	4,240	1,910
Computer/Software support	20,500	13,220	7,280
Bank charges and fees	2,000	2,097	(97)
Total General Government	<u>259,965</u>	<u>248,337</u>	<u>11,628</u>
<b>Public Safety Donations</b>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<b>Public Works</b>			
Trash removal	42,900	43,099	(199)
Street lighting	5,000	6,116	(1,116)
Streets and sidewalks	30,000	29,815	185
Total Public Works	<u>77,900</u>	<u>79,030</u>	<u>(1,130)</u>
Total Expenditures Before Transfers	<u>339,865</u>	<u>329,367</u>	<u>10,498</u>
<b>Other Financing Uses</b>			
Transfers out (in)	-	(1,713)	1,713
Total Other Financing Uses	<u>-</u>	<u>(1,713)</u>	<u>1,713</u>
<b>Total General Fund Expenditures</b>	<u>\$ 339,865</u>	<u>\$ 327,654</u>	<u>\$ 12,211</u>

**TOWN OF HAMILTON, VIRGINIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2014**

	<b>Special Revenue</b>		
	<b>Fire Programs Fund</b>	<b>Community Park Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,748	\$ 8,276	\$ 15,024
Certificates of deposit	-	8,997	8,997
Accounts receivable	1,000	-	1,000
<b>Total assets</b>	<b>\$ 7,748</b>	<b>\$ 17,273</b>	<b>\$ 25,021</b>
<b>Liabilities and Fund Balances</b>			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	7,748	17,273	25,021
<b>Total liabilities and fund balance</b>	<b>\$ 7,748</b>	<b>\$ 17,273</b>	<b>\$ 25,021</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, 2014**

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
<b>Revenues</b>			
Intergovernmental	\$ 10,000	\$ -	\$ 10,000
Interest	1	15	16
<b>Total revenues</b>	<u>10,001</u>	<u>15</u>	<u>10,016</u>
<b>Expenditures</b>			
Public safety	12,491	-	12,491
<b>Total expenditures</b>	<u>12,491</u>	<u>-</u>	<u>12,491</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(2,490)	15	(2,475)
<b>Fund balances - beginning</b>	<u>10,238</u>	<u>17,258</u>	<u>27,496</u>
<b>Fund balances - ending</b>	<u>\$ 7,748</u>	<u>\$ 17,273</u>	<u>\$ 25,021</u>

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

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses, Permits, and Fees</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>Inter- governmental</b>	<b>Total</b>
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
2014	194,100	77,177	22,283	1,631	2,642	55,957	353,790

**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>
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
2014	248,337	2,000	79,030	-	329,367

**TOWN OF HAMILTON, VIRGINIA**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total</b>
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
2014	63,041,725	3,598,721	2,083,476	68,723,922

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**

**June 30, 2014**

<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>
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%
2014	194,327	192,776	99.20%	470	193,246	99.44%

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

**TOWN OF HAMILTON, VIRGINIA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2014**

Assessed value of taxable real property	<u>\$ 65,319,110</u>
Debt limit (10% of assessed value)	6,531,911
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 6,531,911</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, 2014 and excludes real property owned by public service corporations.