

TOWN OF HAMILTON, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**TOWN OF HAMILTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016**

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**TOWN OF HAMILTON, VIRGINIA
JUNE 30, 2016**

MAYOR AND TOWN COUNCIL

David R. Simpson, Mayor

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

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

OFFICIALS

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

LEGAL COUNSEL

Maureen K. Gilmore

FINANCIAL SECTION

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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, 2016, 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, 2016, and, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

September 12, 2016
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, 2016.

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 \$10,626,291.
- The Town's total net position increased by \$103,196.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$308,480, a decrease of \$691,315 in comparison with the prior year. A portion of this total amount, \$262,642 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$97,977 (12.76 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 – 53 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 56 – 57 of this report. Additional state required supplementary schedules follow the combining and individual fund statements and can be found on page 61 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 \$10,626,291 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, 2016.

Town of Hamilton – Net Position

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 325,538	\$ 2,554,345	\$ 2,879,883
Capital assets	884,568	7,623,300	8,507,868
Total Assets	<u>1,210,106</u>	<u>10,177,645</u>	<u>11,387,751</u>
 Deferred Outflows of Resources	 <u>8,284</u>	 <u>57,568</u>	 <u>65,852</u>
Liabilities			
Long-term liabilities	10,523	654,615	665,138
Other liabilities	10,709	119,206	129,915
Total Liabilities	<u>21,232</u>	<u>773,821</u>	<u>795,053</u>
 Deferred Inflows of Resources	 <u>3,383</u>	 <u>28,876</u>	 <u>32,259</u>
Net Position			
Nonspendable	884,568	6,953,300	7,837,868
Restricted	20,849	-	20,849
Unrestricted	288,358	2,479,216	2,767,574
Total Net Position	<u>\$ 1,193,775</u>	<u>\$ 9,432,516</u>	<u>\$ 10,626,291</u>

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 \$103,196 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Hamilton’s net position by \$12,231. These changes are presented in column one of the following table:

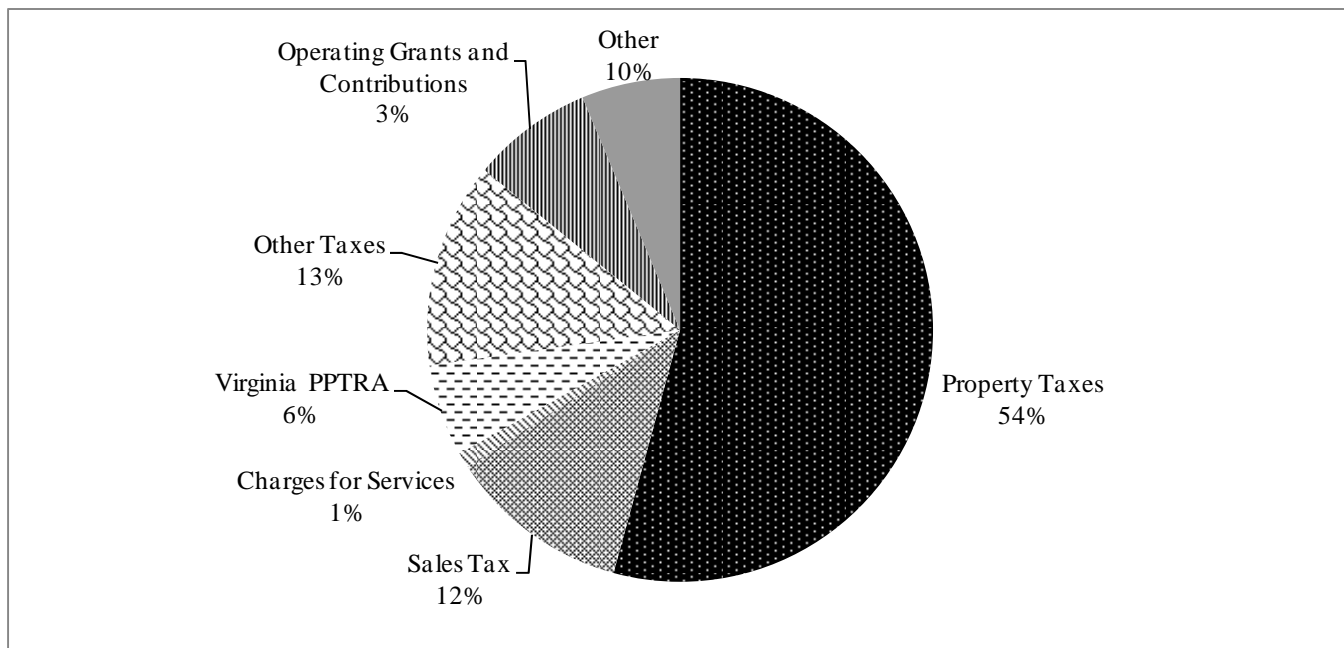
Town of Hamilton – Changes in Net Position

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 3,825	\$ 732,936	\$ 736,761
Operating grants and contributions	31,071	-	31,071
Capital grants and contributions	-	201,477	201,477
General Revenues			
Property taxes	216,898	-	216,898
Other taxes	122,784	-	122,784
Other	25,273	86,503	111,776
Total Revenues	399,851	1,020,916	1,420,767
Expenses			
General government	317,622	-	317,622
Public safety	11,224	-	11,224
Public works	53,025	-	53,025
Infrastructure depreciation	5,749	-	5,749
Water	-	497,926	497,926
Sewer	-	432,025	432,025
Total Expenses	387,620	929,951	1,317,571
Transfers	-	-	-
Increase (Decrease) in Net Position	12,231	90,965	103,196
Net Position - beginning	1,181,544	8,522,002	9,703,546
Net asset restatement	-	819,549	819,549
Net Position - ending	\$ 1,193,775	\$ 9,432,516	\$ 10,626,291

- Loudoun County grant income increased by \$20,000 from the prior year.

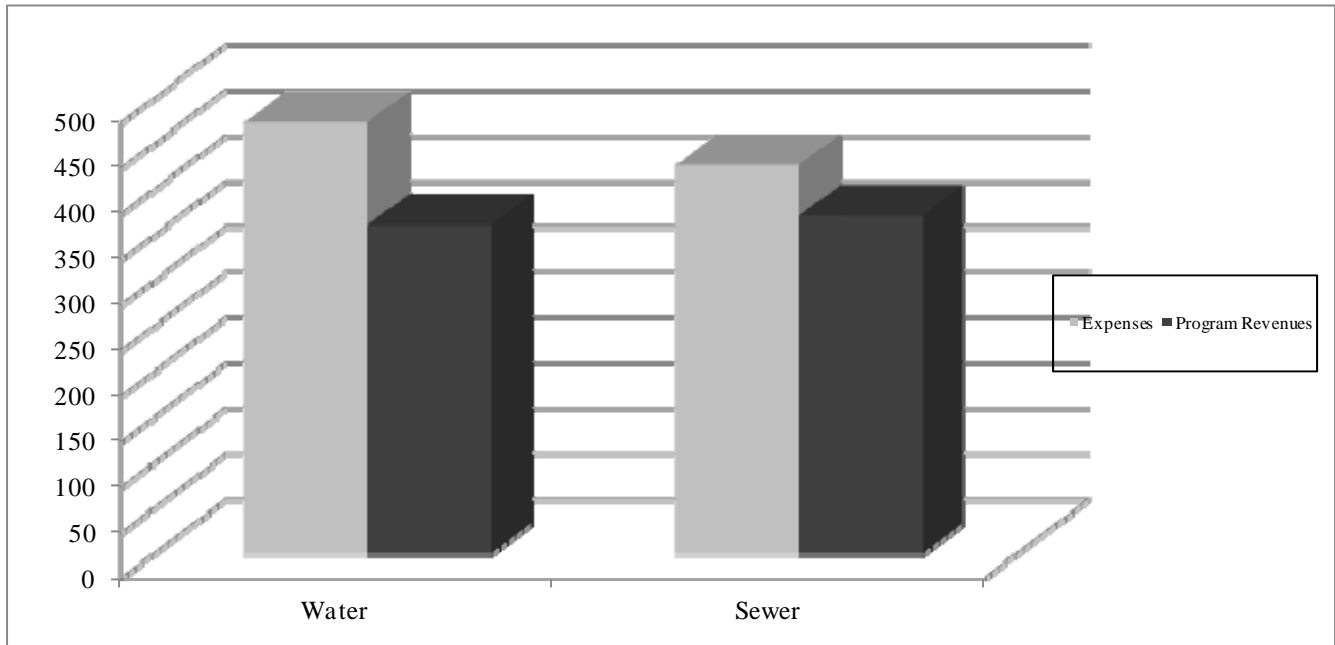
The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2016.

Revenues by Source – Governmental Activities

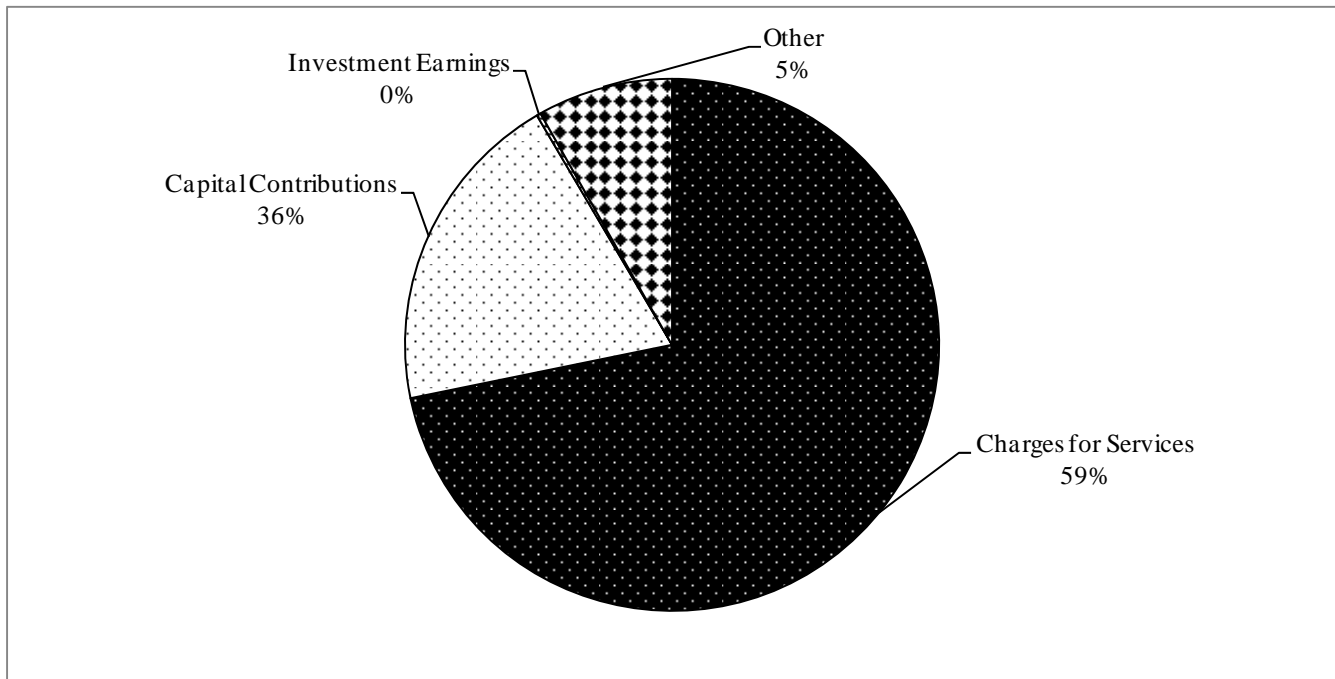


Business-type activities. Business-type activities increased the Town of Hamilton's net position by \$90,965, accounting for 88.15 percent of the increase in the Town's net position.

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 \$308,480, a decrease of \$691,315 in comparison with the prior year. A portion of this total amount (\$262,642) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$24,989), and restricted (\$20,849) 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 \$262,642 and the nonspendable fund balance of the general fund was \$24,989. 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 \$262,642 is almost 70% of the total general fund operating expenditures of \$378,559.

The fund balance of the Town of Hamilton, Virginia's general fund decreased by \$692,135 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 \$4,647,945 and those for the sewer fund amounted to \$4,784,571. The total increase in net position for proprietary funds was \$90,965. 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, 2016, amounts to \$8,507,868 (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:

- Real estate purchase
- Deeded infrastructure

The table below summarizes the capital assets of the Town at June 30, 2016.

Town of Hamilton – Capital Assets (Net of accumulated depreciation)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 504,733	\$ 421,162	\$ 925,895
Buildings and improvements	337,196	109,574	446,770
Utility distribution systems	-	6,971,046	6,971,046
Machinery and equipment	21,131	121,518	142,649
Infrastructure	21,508	-	21,508
TOTAL	\$ 884,568	\$ 7,623,300	\$ 8,507,868

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 \$670,000. 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 \$97,977 (12.76 percent) during the current fiscal year. The key factor in this decrease was the fact that debt was paid down during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Hamilton is \$7,438,399, 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 83,362	\$ 970,953	\$ 1,054,315
Certificate of deposits	410,929	907,136	1,318,065
Investments	163,076	146,313	309,389
Receivables			
Delinquent taxes, including penalties	2,826	-	2,826
Accrued interest	8	8	16
Accounts	2,784	113,170	115,954
Rent	10,000	-	10,000
Due from other governments	7,564	-	7,564
Due from other funds	(380,000)	380,000	-
Prepays and other	24,989	36,765	61,754
Capital assets (net of accumulated depreciation):			
Land	504,733	421,162	925,895
Buildings and improvements	337,196	109,574	446,770
Utility distribution systems	-	6,971,046	6,971,046
Machinery and equipment	21,131	121,518	142,649
Infrastructure	21,508	-	21,508
Total Assets	1,210,106	10,177,645	11,387,751
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	31,217	31,217
Deferred pension obligation	8,284	26,351	34,635
Total Deferred Outflows	8,284	57,568	65,852
Liabilities			
Accounts payable	10,709	11,894	22,603
Accrued interest payable	-	7,312	7,312
Noncurrent liabilities:			
Due within one year	-	100,000	100,000
Due in more than one year	10,523	654,615	665,138
Total Liabilities	21,232	773,821	795,053
Deferred Inflows of Resources			
Deferred connection fees	-	16,000	16,000
Deferred pension inflow	3,383	12,876	16,259
Total Deferred Inflows	3,383	28,876	32,259
Net Position			
Invested in capital assets, net of related debt	884,568	6,953,300	7,837,868
Restricted	20,849	-	20,849
Unrestricted	288,358	2,479,216	2,767,574
Total Net Position	\$ 1,193,775	\$ 9,432,516	\$ 10,626,291

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, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Total
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants	Capital Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 317,622	\$ -	\$ 21,071	\$ -	\$ (296,551)	\$ -	\$ (296,551)
Public safety	11,224	-	10,000	-	(1,224)	-	(1,224)
Public works	53,025	-	-	-	(53,025)	-	(53,025)
Planning and zoning	-	3,825	-	-	3,825	-	3,825
Infrastructure depreciation	5,749	-	-	-	(5,749)	-	(5,749)
Total Governmental Activities	387,620	3,825	31,071	-	(352,724)	-	(352,724)
Business-type activities:							
Water	497,926	361,326	-	72,400	-	(64,200)	(64,200)
Sewer	432,025	371,610	-	129,077	-	68,662	68,662
Total Business-Type Activities	929,951	732,936	-	201,477	-	4,462	4,462
Total Primary Government	\$ 1,317,571	\$ 736,761	\$ 31,071	\$ 201,477	(352,724)	4,462	(348,262)
General Revenues:							
Property taxes					216,898	-	216,898
Sales taxes					46,679	-	46,679
Business and occupational taxes					12,827	-	12,827
Consumer taxes					28,713	-	28,713
Virginia personal property tax reduction					23,496	-	23,496
Motor vehicle licenses					11,069	-	11,069
Miscellaneous					5,462	-	5,462
Unrestricted investment earnings					1,728	2,479	4,207
Lease income					18,083	84,024	102,107
Transfers in (out)					-	-	-
Total general revenues					364,955	86,503	451,458
Change in net position					12,231	90,965	103,196
Net position - beginning					1,181,544	8,522,002	9,703,546
Net position adjustment					-	819,549	819,549
Net position - ending					\$ 1,193,775	\$ 9,432,516	\$ 10,626,291

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

**TOWN OF HAMILTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 71,517	\$ 11,845	\$ 83,362
Certificates of deposit	401,925	9,004	410,929
Investments	163,076	-	163,076
Receivables:			
Property taxes	2,826	-	2,826
Accrued interest	8	-	8
Other	2,784	-	2,784
Rent	10,000	-	10,000
Due from other governments	7,564	-	7,564
Prepays and other	24,989	-	24,989
Total Assets	684,689	20,849	705,538
Liabilities			
Accounts payable	10,709	-	10,709
Compensated absences payable	4,479	-	4,479
Due to other funds	380,000	-	380,000
Total Liabilities	395,188	-	395,188
Deferred Inflows of Resources			
Unavailable revenue	1,870	-	1,870
Fund Balances			
Nonspendable			
Prepaid expenses	24,989	-	24,989
Restricted			
Community park	-	17,281	17,281
Fire program	-	3,568	3,568
Unassigned	262,642	-	262,642
Total Fund Balances	287,631	20,849	308,480
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 684,689	\$ 20,849	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	884,568
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,870
Pension obligation reporting	<u>(1,143)</u>
Net position of governmental activities	<u>\$ 1,193,775</u>

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
General property taxes	\$ 218,516	\$ -	\$ 218,516
Other local taxes	86,461	-	86,461
Permits, licenses, and fees	16,652	-	16,652
Interest	1,726	2	1,728
Real estate rental	18,083	-	18,083
Intergovernmental	44,567	10,000	54,567
Miscellaneous	5,462	-	5,462
Total revenues	391,467	10,002	401,469
Expenditures			
General government administration	1,012,866	-	1,012,866
Public works	68,736	-	68,736
Public safety	2,000	9,182	11,182
Total expenditures	1,083,602	9,182	1,092,784
Net change in fund balances	(692,135)	820	(691,315)
Other Financing Sources (Uses)			
Transfers (out) in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(692,135)	820	(691,315)
Fund balances - beginning	979,766	20,029	999,795
Fund balances - ending	\$ 287,631	\$ 20,849	\$ 308,480

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds	\$ (691,315)
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.	727,218
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.	(28,436)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,618)
Pension funding obligation is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, pension obligation requirements are not reported as a liability in the governmental funds.	<u>6,382</u>
Change in net position of governmental activities	<u><u>\$ 12,231</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, 2016

	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 212,733	\$ 218,516	\$ 5,783
Other local taxes	80,000	86,461	6,461
Permits, fees, and licenses	12,000	16,652	4,652
Interest	1,140	1,726	586
Real estate rental	-	18,083	18,083
Miscellaneous	2,300	5,462	3,162
Intergovernmental	240,904	44,567	(196,337)
Total Revenues	549,077	391,467	(157,610)
Expenditures			
General government administration	1,080,666	1,012,866	67,800
Public safety donations	2,000	2,000	-
Public works	326,508	68,736	257,772
Total Expenditures	1,409,174	1,083,602	325,572
Excess (deficiency) of Revenues over Expenditures	(860,097)	(692,135)	167,962
Other Financing Sources (Uses)			
Transfers in (out)	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(860,097)	(692,135)	167,962
Fund balance - beginning	979,766	979,766	-
Fund balance - ending	\$ 119,669	\$ 287,631	\$ 167,962

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, 2016

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Assets					
Current assets					
Cash and cash equivalents	\$ 498,588	\$ 503,672	\$ 472,365	\$ 722,799	\$ 970,953
Certificates of deposit	49,646	141,146	857,490	639,628	907,136
Investments	24,104	24,027	122,209	121,816	146,313
Accounts receivable	50,438	45,384	62,732	49,789	113,170
Accrued interest receivable	1	2	7	10	8
Prepaid expenses	6,945	8,140	29,820	6,499	36,765
Total current assets	629,722	722,371	1,544,623	1,540,541	2,174,345
Noncurrent assets					
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,682,794	5,477,907	4,386,162	3,771,500	10,068,956
Equipment	359,254	359,254	363,991	363,991	723,245
Less accumulated depreciation	(1,976,715)	(1,802,566)	(2,545,955)	(2,404,094)	(4,522,670)
Total capital assets (net of accumulated depreciation)	4,479,081	4,448,343	3,144,219	2,671,418	7,623,300
Due from other funds	190,000	-	190,000	-	380,000
Total noncurrent assets	4,669,081	4,448,343	3,334,219	2,671,418	8,003,300
Total Assets	5,298,803	5,170,714	4,878,842	4,211,959	10,177,645
Deferred Outflows of Resources					
Deferred charge on refunded debt	17,879	20,858	13,338	15,561	31,217
Deferred pension obligation	12,777	10,436	13,574	10,951	26,351
	30,656	31,294	26,912	26,512	57,568
Liabilities					
Current liabilities					
Accounts payable	3,556	5,900	8,338	4,360	11,894
Accrued interest payable	6,580	7,545	732	876	7,312
General obligation bonds - current	85,500	85,500	14,500	12,477	100,000
Total current liabilities	95,636	98,945	23,570	17,713	119,206
Noncurrent liabilities					
Compensated absences	9,390	6,902	8,021	8,149	17,411
Premium on bonds	39,784	46,414	4,418	5,155	44,202
General obligation bonds payable	517,500	603,000	52,500	67,000	570,000
Unfunded pension liability	12,312	9,574	10,690	9,609	23,002
Total noncurrent liabilities	578,986	665,890	75,629	89,913	654,615
Total Liabilities	674,622	764,835	99,199	107,626	773,821
Deferred Inflows of Resources					
Deferred connection fees	-	-	16,000	17,500	16,000
Deferred pension inflow	6,892	14,232	5,984	14,284	12,876
	6,892	14,232	21,984	31,784	28,876
Net Position					
Invested in capital assets, net of related debt	3,876,081	3,759,843	3,077,219	2,591,941	6,953,300
Unrestricted	771,864	663,098	1,707,352	1,507,120	2,479,216
Total Net Position	\$ 4,647,945	\$ 4,422,941	\$ 4,784,571	\$ 4,099,061	\$ 9,432,516

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current	Prior Year	Current	Prior Year	Current
	Year	Year	Year	Year	Year
Operating revenues					
Charges for services	\$ 339,956	\$ 344,289	\$ 349,981	\$ 316,978	\$ 689,937
Connection fees	13,600	-	16,500	1,000	30,100
Miscellaneous revenue	7,770	12,197	5,129	7,655	12,899
Total operating revenues	<u>361,326</u>	<u>356,486</u>	<u>371,610</u>	<u>325,633</u>	<u>732,936</u>
Operating expenses					
Personal service	141,395	113,400	118,643	107,635	260,038
Fringe benefits	38,609	25,983	34,658	29,439	73,267
Depreciation	174,149	171,178	141,861	134,483	316,010
Truck expense	2,995	4,004	2,995	4,004	5,990
Supplies	9,996	6,183	62,107	67,462	72,103
Repairs and maintenance	36,248	40,960	29,955	59,631	66,203
Water system integration	31,860	31,860	-	-	31,860
Utilities	28,295	29,855	27,872	28,065	56,167
Insurance	5,995	6,268	5,056	6,268	11,051
Telephone	1,362	1,334	4,090	3,721	5,452
Other charges	3,391	4,546	264	635	3,655
Total operating expenses	<u>474,295</u>	<u>435,571</u>	<u>427,501</u>	<u>441,343</u>	<u>901,796</u>
Operating income (loss)	<u>(112,969)</u>	<u>(79,085)</u>	<u>(55,891)</u>	<u>(115,710)</u>	<u>(168,860)</u>
Nonoperating revenues (expenses)					
Investment earnings	293	616	2,186	855	2,479
Lease income	84,024	74,291	-	-	84,024
Accounting charge on refinance	(2,979)	(2,979)	(2,223)	(2,223)	(5,202)
Interest expense	(20,652)	(24,061)	(2,301)	(3,200)	(22,953)
Total nonoperating revenue (expenses)	<u>60,686</u>	<u>47,867</u>	<u>(2,338)</u>	<u>(4,568)</u>	<u>58,348</u>
Income before contributions and transfers	<u>(52,283)</u>	<u>(31,218)</u>	<u>(58,229)</u>	<u>(120,278)</u>	<u>(110,512)</u>
Transfers and contributions					
Capital contributions	72,400	-	129,077	155,413	201,477
Transfers in (out)	-	(47)	-	(49)	-
Change in net position	<u>20,117</u>	<u>(31,265)</u>	<u>70,848</u>	<u>35,086</u>	<u>90,965</u>
Total net position - beginning of year	<u>4,422,941</u>	<u>4,474,673</u>	<u>4,099,061</u>	<u>4,084,034</u>	<u>8,522,002</u>
Net Asset restatement	<u>204,887</u>	<u>(20,467)</u>	<u>614,662</u>	<u>(20,059)</u>	<u>819,549</u>
Total net position - end of year	<u>\$ 4,647,945</u>	<u>\$ 4,422,941</u>	<u>\$ 4,784,571</u>	<u>\$ 4,099,061</u>	<u>\$ 9,432,516</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, 2016

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 440,296	\$ 358,667	\$ 798,963
Payments to suppliers	(130,972)	(162,605)	(293,577)
Payments to employees	(177,516)	(153,429)	(330,945)
Net cash provided by operating activities	131,808	42,633	174,441
Cash Flows from Capital and Related Financing Activities			
Capital contributions	72,400	129,077	201,477
Interfund loan	(190,000)	(190,000)	(380,000)
Principal paid on capital debt	(85,500)	(12,477)	(97,977)
Interest paid on capital debt	(25,509)	(3,182)	(28,691)
Net cash (used in) capital and related financing activities	(228,609)	(76,582)	(305,191)
Cash Flows from Investing Activities			
(Purchases) redemption of certificates of deposit	91,500	(217,862)	(126,362)
Interest and dividends received	294	1,770	2,064
Net cash provided by investing activities	91,794	(216,092)	(124,298)
Net increase (decrease) in cash and cash equivalents	(5,007)	(250,041)	(255,048)
Cash and cash equivalents July 1, 2015	527,699	844,615	1,372,314
Cash and cash equivalents June 30, 2016	\$ 522,692	\$ 594,574	\$ 1,117,266
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating loss	\$ (112,969)	\$ (55,891)	\$ (168,860)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	174,149	141,861	316,010
Lease income	84,024	-	84,024
(Increase) decrease in accounts receivable	(5,054)	(12,943)	(17,997)
(Increase) decrease in prepaid and other assets	1,195	(23,321)	(22,126)
(Increase) decrease in deferred pension obligation	(2,341)	(2,623)	(4,964)
Increase (decrease) in operating accounts payable	(2,344)	3,978	1,634
Increase (decrease) in compensated absences	2,488	(128)	2,360
Increase (decrease) in pension liability	(7,340)	(8,300)	(15,640)
Total adjustments	244,777	98,524	343,301
Net cash provided by operating activities	\$ 131,808	\$ 42,633	\$ 174,441

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

D. Assets, Liabilities 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3. Capital Assets

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

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

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Deferred Outflows/Inflows of Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Deferred Outflows/Inflows of Resources (Continued)

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

7. Fund Equity

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Fund Equity (Continued)

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

8. Net Position

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

9. Estimates

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

10. Comparative Data

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

11. Pensions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures did not exceed appropriations in any of the general fund departments.

A. Deposits and Investments

Deposits

At year-end June 30, 2016 the carrying amount of the Town's deposits with banks and savings institutions was \$2,372,280 and the bank balance was \$2,439,720.

All of the Town's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying localities of compliance by banks and savings and loans. The funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below as to credit risk.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain qualifying corporate notes, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Pool.

As of June 30, 2016, the Town had the following investments:

Type	Carrying Amount	Fair Value
LGIP Fund	\$ 309,389	\$ 309,389

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

A. Deposits and Investments (Continued)

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

Credit risk. State Law limits investments in commercial paper and corporate bonds to the top rating issued by nationally recognized statistical rating organizations. It is the Town's policy to limit its investments in these types of investments to the state Law. As of June 30, 2016, 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	2,372,280	1,054,215	1,318,065
Investments	309,389	309,389	-
Total	<u>\$ 2,681,769</u>	<u>\$ 1,363,704</u>	<u>\$ 1,318,065</u>

B. Receivables

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

	General	Water	Sewer	Total
Receivables:				
Delinquent property taxes	\$ 2,826	\$ -	\$ -	\$ 2,826
Accounts				
Billed	2,784	20,545	31,875	55,204
Unbilled	-	29,818	30,857	60,675
Interest	8	1	7	16
Intergovernmental	7,564	-	-	7,564
Other	-	75	-	75
Net total receivables	<u>\$ 13,182</u>	<u>\$ 50,439</u>	<u>\$ 62,739</u>	<u>\$ 126,360</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

B. Receivables (Continued)

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$1,870 representing delinquent property taxes in the general fund.

C. Due from Other Governments

At June 30, 2016 amounts due from other governments were as follows:

Description/Payer	General
Loudoun County, Virginia - Sales tax	\$ 7,564

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 116,959	\$ 387,774	\$ -	\$ 504,733
Total capital assets, not being depreciated	116,959	387,774	-	504,733
Capital assets, being depreciated:				
Buildings and improvements	113,030	317,269	-	430,299
Furniture and fixtures	970	-	-	970
Equipment	96,140	5,025	-	101,165
Infrastructure	167,715	17,150	-	184,865
Total capital assets being depreciated	377,855	339,444	-	717,299
Less accumulated depreciation for:				
Buildings and improvements	(79,291)	(13,812)	-	(93,103)
Furniture and fixtures	473	-	-	473
Equipment	(72,602)	(8,875)	-	(81,477)
Infrastructure	(157,608)	(5,749)	-	(163,357)
Total accumulated depreciation	(309,028)	(28,436)	-	(337,464)
Net capital assets being depreciated	68,827	311,008	-	379,835
Governmental capital assets, net	\$ 185,786	\$ 698,782	\$ -	\$ 884,568

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

D. Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 421,162	\$ -	\$ -	\$ 421,162
Total capital assets, not being depreciated	421,162	-	-	421,162
Capital assets, being depreciated:				
Buildings and improvements	932,607	-	-	932,607
Utility distribution systems	5,726,651	819,549	-	6,546,200
Water treatment plant	3,522,756	-	-	3,522,756
Equipment	723,245	-	-	723,245
Total capital assets being depreciated	10,905,259	819,549	-	11,724,808
Less accumulated depreciation for:				
Buildings and improvements	(776,030)	(47,003)	-	(823,033)
Utility distribution systems	(2,378,801)	(145,680)	-	(2,524,481)
Water treatment plant	(484,552)	(88,877)	-	(573,429)
Equipment	(567,277)	(34,450)	-	(601,727)
Total accumulated depreciation	(4,206,660)	(316,010)	-	(4,522,670)
Net capital assets being depreciated	6,698,599	503,539	-	7,202,138
Business-type activities capital assets, net	\$ 7,119,761	\$ 503,539	\$ -	\$ 7,623,300

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 13,812
Public works	8,875
Infrastructure depreciation	5,749
Total depreciation expense - governmental activities	\$ 28,436
Business-type activities:	
Water	\$ 174,149
Sewer	141,861
Total depreciation expense - business-type activities	\$ 316,010

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, 2016 are as follows:

Description	Amount
\$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.	\$ 670,000
Total General Obligation Debt	\$ 670,000

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2017	\$ 100,000	\$ 27,371
2018	105,000	22,773
2019	110,000	17,533
2020	115,000	12,208
2021	120,000	7,148
2022	120,000	2,451
Total	\$ 670,000	\$ 89,484

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 2016, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$7,438,399 which is computed based on 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

E. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,817	\$ 662	\$ -	\$ 4,479	\$ -
Unfunded pension liability	5,796	248	-	6,044	-
Governmental activities long-term liabilities	<u>\$ 9,613</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 10,523</u>	<u>\$ -</u>
Business-type activities:					
General obligation bonds	\$ 767,977	\$ -	\$ (97,977)	\$ 670,000	\$ 100,000
Compensated absences	15,051	2,360	-	17,411	-
Premiums on bonds	51,569	-	(7,367)	44,202	-
Accounting charge on refinancing	(36,419)	-	5,202	(31,217)	-
Unfunded pension liability	19,183	3,819	-	23,002	-
Business-type activities long-term liabilities	<u>\$ 817,361</u>	<u>\$ 6,179</u>	<u>\$ (100,142)</u>	<u>\$ 723,398</u>	<u>\$ 100,000</u>

Advance Refundings

The Town issued 2010 series \$1,125,000 general obligation refunding bonds to provide resources for advance bonded debt refunding. The Town advanced refunded the 2002 \$1,180,000 bonded debt. As a result, the refunded bonds are considered to be defeased and liability removed from bonded debt obligations. The reacquisition price exceeded the net carrying amount of the old debt by \$62,429 and is being amortized over the term of the new debt. The advance refunding was undertaken to improve current cash flow by reducing required debt service requirements. Total debt service payments of the 12 year life of the new bonded debt decreased by \$82,521 with an estimated economic gain (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 2016 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ 72,400	\$ 37,200	\$ 109,600
Loudoun County - utility distribution systems support	-	88,000	88,000
Loudoun County - special tax district/debt service	-	3,877	3,877
	<u>\$ 72,400</u>	<u>\$ 129,077</u>	<u>\$ 201,477</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk Management

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

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2016 the Town paid premiums of approximately \$4,294 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 2016, the Town paid contributions of approximately \$26,210 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, 2016, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 361,326	\$ 371,610	\$ 732,936
Operating expenses	474,295	427,501	901,796
Net nonoperating revenues (expenses)	60,686	(2,338)	58,348
Capital contributions	72,400	129,077	201,477
Net income	20,117	70,848	90,965
Developer donated water and sewer systems	204,887	614,662	819,549
Total assets	5,298,803	4,878,842	10,177,645
Bonds payable	603,000	67,000	670,000
Total net position	4,647,945	4,784,571	9,432,516

C. Surety Bonds

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (VRS)

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 and 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	June 30,	
	2013	2015
	Number	
Inactive members or their beneficiaries currently receiving benefits	3	3
Inactive members:		
Vested inactive members	2	2
Non-vested inactive members	3	3
Inactive members active elsewhere in VRS	4	4
Total inactive members	9	9
Active members	4	5
Total covered employees	16	17

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 8.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$34,635 and \$28,273 for the years ended June 30, 2016 and June 30, 2015, respectively.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 625,945	\$ 600,966	\$ 24,979
Changes for the year:			
Service cost	20,886	-	20,886
Interest	42,207	-	42,207
Differences between expected and actual experience	1,576		
Contributions - employer	-	21,749	(21,749)
Contributions - employee	-	12,097	(12,097)
Net investment income	-	27,142	(27,142)
Benefit payments, including refunds of employee contributions	(45,973)	(45,973)	-
Administrative expenses	-	(378)	378
Other changes	-	(7)	7
Net changes	<u>18,696</u>	<u>14,630</u>	<u>2,490</u>
Balances at June 30, 2015	<u>\$ 644,641</u>	<u>\$ 615,596</u>	<u>\$ 27,469</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

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

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

	(6.00%)	Rate (7.00%)	(8.00%)
Town's Net Pension Liability	<u>\$ 100,906</u>	<u>\$ 29,045</u>	<u>\$ (31,010)</u>

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

For the year ended June 30, 2016, the Town recognized pension expense of \$11,461. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 994	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	16,258
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 994</u>	<u>\$ 16,258</u>

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

<u>Year ended June 30,</u>	<u>Amortization</u>
2017	\$ (5,803)
2018	(5,973)
2019	(6,384)
2020	2,896
2021	-
Thereafter	-

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

	2015
Total pension liability	
Service cost	\$ 20,886
Interest	42,207
Changes of benefit terms	-
Differences between expected and actual experience	1,576
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(45,973)
Net change in total pension liability	<u>18,696</u>
Total pension liability - beginning	<u>625,945</u>
Total pension liability - ending (a)	<u><u>\$ 644,641</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 21,749
Contributions - employee	12,097
Net investment income	27,142
Benefit payments, including refunds of employee contributions	(45,973)
Administrative expense	(378)
Other	(7)
Net change in total pension liability	<u>14,630</u>
Plan fiduciary net pension - beginning	<u>600,966</u>
Plan fiduciary net pension - ending (b)	<u><u>\$ 615,596</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 29,045</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>95.49%</u></u>
Covered-employee payroll	<u><u>\$ 263,365</u></u>
Town's net pension liability as a percentage of covered-employee payroll	<u><u>11.03%</u></u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2016	\$ 34,635	\$ 34,635	\$ -	\$ 263,365	13.15%
2015	28,273	28,273	-	179,302	15.77%
Prior to GASB Statement No. 68 and 2015:					
2014	24,864	24,864	-	167,936	14.81%
2013	23,188	23,188	-	169,887	13.65%
2012	25,970	25,970	-	194,517	13.35%

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	\$ 596,985	\$ 672,167	\$ 75,182	88.81%	\$ 263,365	28.55%
2014	552,689	627,418	74,729	88.09%	179,302	41.68%
Prior to GASB Statement No. 68:						
2013	512,743	611,060	98,317	83.91%	167,936	58.54%
2012	510,524	616,136	105,612	82.86%	169,887	62.17%
2011	523,272	597,816	74,544	87.53%	194,517	38.32%

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2014 and the impact on the liabilities as of the measurement date of June 30, 2015 are minimal.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Net Position Restatement

The Town implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions effective July 1, 2015 and restated the affected account balances at June 30, 2014 is as follows:

Description	Deferred Outflows	Pension Obligation	Net Position Reduction
FYE 2015 funding payments	\$ (19,892)	\$ -	\$ (19,892)
July 1, 2015 net obligation	-	71,774	71,774
	<u>\$ (19,892)</u>	<u>\$ 71,774</u>	<u>\$ 51,882</u>
Summarized by fund:			
Governmental	\$ (5,298)	\$ 16,654	\$ 11,356
Business-type	(14,594)	55,120	40,526
	<u>\$ (19,892)</u>	<u>\$ 71,774</u>	<u>\$ 51,882</u>

In the current fiscal year, additional information became available on capital assets held by the Town. Accordingly, an adjustment was made to the governmental and business-type activities at the beginning of fiscal year 2016. This prior period adjustment was made July 1, 2015 to increase net position for capital assets held by the Town. The changes to beginning net position are summarized as follows:

Description	Net Position		
	Water Fund	Sewer Fund	Total Proprietary
Net position, previously reported at June 30, 2015	\$ 4,422,941	\$ 4,099,061	\$ 8,522,002
Adjustments: Capital assets held at July 1, 2015	204,887	614,662	819,549
Net position, restated at July 1, 2016	<u>\$ 4,627,828</u>	<u>\$ 4,713,723</u>	<u>\$ 9,341,551</u>

F. Subsequent Events

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2016 through September 12, 2016, 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, 2016 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2016.

TOWN OF HAMILTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues				
General Property Taxes				
Real and personal property taxes	\$ 212,033	\$ 212,033	\$ 217,007	\$ 4,974
Penalties and interest	700	700	1,509	809
Total General Property Taxes	212,733	212,733	218,516	5,783
Other Local Taxes				
Sales taxes	42,000	42,000	46,679	4,679
Motor vehicle licenses	10,000	10,000	11,069	1,069
Consumer utility tax	28,000	28,000	28,713	713
Total Other Local Taxes	80,000	80,000	86,461	6,461
Permits, Fees, and Licenses				
Zoning income	2,000	2,000	3,825	1,825
Business licenses	10,000	10,000	12,827	2,827
Total Permits, Fees and Licenses	12,000	12,000	16,652	4,652
Revenues from Use of Money and Property				
Interest on bank deposits	1,140	1,140	1,726	586
Real estate rental income	-	-	18,083	18,083
	1,140	1,140	19,809	18,669
Miscellaneous Revenue				
Donations	500	500	1,400	900
Park fees	700	700	2,400	1,700
Other	1,100	1,100	1,662	562
Total miscellaneous revenue	2,300	2,300	5,462	3,162
Intergovernmental				
Loudoun County - litter grant	1,000	1,000	1,071	71
Loudoun County grant	-	-	20,000	20,000
VDOT public improvement grant	216,408	216,408	-	(216,408)
Virginia personal property tax	23,496	23,496	23,496	-
Total Intergovernmental	240,904	240,904	44,567	(196,337)
Total General Fund Revenues	\$ 549,077	\$ 549,077	\$ 391,467	\$ (175,693)

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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General Government				
Administration				
Permanent salaries	\$ 99,727	\$ 99,727	\$ 98,239	\$ 1,488
Payroll taxes	7,436	7,436	7,272	164
Pension contribution	6,927	6,927	8,284	(1,357)
Worker's benefits	23,768	23,768	24,326	(558)
Audit	13,500	13,500	14,500	(1,000)
Legal fees	44,000	44,000	62,565	(18,565)
Advertising	2,500	2,500	1,408	1,092
Postage and printing	3,800	3,800	3,360	440
Telephone	4,000	4,000	4,680	(680)
Mayor and Town Council contingencies	500	500	3,972	(3,472)
Training	300	300	175	125
General office expenses	9,120	9,120	14,925	(5,805)
Building and grounds				
Electricity	2,500	2,500	3,159	(659)
Maintenance	1,000	1,000	1,267	(267)
Mowing	12,000	12,000	14,155	(2,155)
Other expenses				
Engineering services	5,000	5,000	-	5,000
Insurance	15,200	15,200	15,200	-
Membership dues	838	838	903	(65)
Administrative contingencies	300	300	730	(430)
Recreation and activities	2,500	2,500	4,602	(2,102)
Planning commission	5,925	5,925	4,734	1,191
Computer/Software support	17,825	17,825	16,935	890
Bank charges and fees	2,000	2,000	2,432	(432)
Building purchase	-	800,000	705,043	94,957
Total General Government	280,666	1,080,666	1,012,866	67,800
Public Safety Donations	2,000	2,000	2,000	-
Public Works				
Trash removal	45,000	45,000	45,377	(377)
Street lighting	6,000	6,000	6,209	(209)
Streets and sidewalks	275,508	275,508	17,150	258,358
Total Public Works	326,508	326,508	68,736	257,772
Total Expenditures Before Transfers	609,174	1,409,174	1,083,602	325,572
Other Financing Uses				
Transfers out (in)	-	-	-	-
Total Other Financing Uses	-	-	-	-
Total General Fund Expenditures	\$ 609,174	\$ 1,409,174	\$ 1,083,602	\$ 325,572

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

**TOWN OF HAMILTON, VIRGINIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016**

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Assets			
Cash and cash equivalents	\$ 3,568	\$ 8,277	\$ 11,845
Certificates of deposit	-	9,004	9,004
Accounts receivable	-	-	-
Total assets	\$ 3,568	\$ 17,281	\$ 20,849
Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	3,568	17,281	20,849
Total liabilities and fund balance	\$ 3,568	\$ 17,281	\$ 20,849

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, 2016

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Revenues			
Intergovernmental	\$ 10,000	\$ -	\$ 10,000
Interest	1	1	2
Total revenues	<u>10,001</u>	<u>1</u>	<u>10,002</u>
Expenditures			
Public safety	9,182	-	9,182
Total expenditures	<u>9,182</u>	<u>-</u>	<u>9,182</u>
Excess (deficiency) of revenues over (under) expenditures	819	1	820
Fund balances - beginning	<u>2,749</u>	<u>17,280</u>	<u>20,029</u>
Fund balances - ending	<u>\$ 3,568</u>	<u>\$ 17,281</u>	<u>\$ 20,849</u>

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses, Permits, and Fees	Rental and Interest	Miscellaneous	Inter- governmental	Total
2007	211,243	167,409	25,441	42,299	2,189	24,171	472,752
2008	202,246	159,345	14,819	46,713	1,541	24,171	448,835
2009	189,621	147,722	17,268	26,828	1,374	23,496	406,309
2010	165,085	79,076	13,015	15,203	2,020	23,496	297,895
2011	189,151	83,008	12,182	5,058	3,889	50,407	343,695
2012	182,947	86,679	8,245	4,904	45,415	38,470	366,660
2013	183,919	88,135	14,443	2,750	12,565	25,779	327,591
2014	194,100	77,177	22,283	1,631	2,642	55,957	353,790
2015	205,565	79,780	17,749	1,191	4,221	24,555	333,061
2016	218,516	86,461	16,652	19,809	5,462	44,567	391,467

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

Fiscal Year	General Government	Public Safety	Public Works	Debt Service	Total
2007	340,647	4,000	54,172	1,277	400,096
2008	278,694	4,000	65,457	1,481	349,632
2009	286,136	-	59,204	1,500	346,840
2010	271,121	2,000	57,967	1,500	332,588
2011	249,049	2,000	71,988	1,500	324,537
2012	248,916	2,000	49,381	1,500	301,797
2013	219,607	2,000	48,271	1,249	271,127
2014	248,337	2,000	79,030	-	329,367
2015	252,680	2,000	68,860	-	323,540
216	1,012,866	2,000	68,736	-	1,083,602

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

Fiscal Year	Real Property	Personal Property	Public Utilities	Total
2007	81,805,650	3,593,170	1,425,553	86,824,373
2008	80,299,150	3,206,575	1,603,440	85,109,165
2009	71,953,850	3,258,830	1,877,614	77,090,294
2010	63,873,450	2,969,396	2,145,508	68,988,354
2011	60,548,900	3,191,216	2,197,168	65,937,284
2012	59,660,100	3,291,941	2,184,561	65,136,602
2013	60,129,870	3,479,651	2,001,322	65,610,843
2014	63,041,725	3,598,721	2,083,476	68,723,922
2015	67,777,185	3,655,809	1,996,556	73,429,550
2016	72,309,625	3,784,829	2,177,860	78,272,314

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

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

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
2007	209,259	206,491	98.68%	3,360	209,851	100.28%
2008	200,089	195,353	97.63%	3,957	199,310	99.61%
2009	182,428	187,787	102.94%	2,090	189,877	104.08%
2010	170,352	164,904	96.80%	67	164,971	96.84%
2011	183,197	182,063	99.38%	4,708	186,771	101.95%
2012	182,647	177,040	96.93%	4,526	181,566	99.41%
2013	183,088	182,064	99.44%	897	182,961	99.93%
2014	194,327	192,776	99.20%	470	193,246	99.44%
2015	205,326	201,550	98.16%	2,883	204,433	99.57%
2016	216,479	212,825	98.31%	4,182	217,007	100.24%

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

**TOWN OF HAMILTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2016**

Assessed value of taxable real property	<u>\$ 74,383,990</u>
Debt limit (10% of assessed value)	7,438,399
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 7,438,399</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 2010 bond obligation.

Assessed value is as of January 1, 2016 and excludes real property owned by public service corporations.