
TOWN OF HAYMARKET, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



TOWN OF HAYMARKET, VIRGINIA

TOWN COUNCIL

David Leake, Mayor

Steve Aitken, Vice Mayor

Matt Caudle

Chris Morris

Joe Pasanello

Pamela Swinford

Kurt Woods

OFFICIALS

Brian Henshaw, Town Manager

Jennifer Preli, Town Clerk

TOWN OF HAYMARKET, VIRGINIA
Financial Report
For the Year Ended June 30, 2014

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Haymarket
Haymarket, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Haymarket, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditors' 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 and each major fund of Town of Haymarket, Virginia, as of June 30, 2014, and the respective changes in financial position 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 3-7, budgetary comparison information, and schedule of pension funding progress 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Haymarket, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The supporting schedules and the schedule of expenditures of federal awards 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 supporting schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of Town of Haymarket, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Haymarket, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 25, 2014

TOWN OF HAYMARKET, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2014

As management of Town of Haymarket, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,629,143 (net position). Of this amount, \$2,189,708 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's general fund reported ending fund balance of \$2,210,172, an increase of \$216,933 in comparison with the prior year. Approximately 98% of this total amount, \$2,163,894 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased \$127,285 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains required and 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 of the Town's 1) assets and deferred outflows of resources and 2) 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 Town's nets 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 the 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).

Overview of the Financial Statements: (continued)

Both of the government-wide financial statements distinguish functions of the Town 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 include general government administration, public safety, public works, cultural, planning and community development.

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. Town of Haymarket, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund - the General Fund.

The Town 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.

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.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension funding progress.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$4,629,143 at the close of the most recent fiscal year.

Town of Haymarket, Virginia's, Net Position		
	Governmental Activities	
	2014	2013
Current and other assets	\$ 2,338,256	\$ 2,095,733
Capital assets	<u>4,140,935</u>	<u>4,257,472</u>
Total assets	<u>\$ 6,479,191</u>	<u>\$ 6,353,205</u>
Current liabilities	\$ 298,830	\$ 261,647
Long-term liabilities outstanding	<u>1,551,218</u>	<u>1,694,394</u>
Total liabilities	<u>\$ 1,850,048</u>	<u>\$ 1,956,041</u>
Net position:		
Invested in capital assets, net of related debt	\$ 2,439,435	\$ 2,428,687
Unrestricted	<u>2,189,708</u>	<u>1,968,477</u>
Total net position	<u>\$ 4,629,143</u>	<u>\$ 4,397,164</u>

A large part of the Town's net position, \$2,439,435 or (55%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to 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.

Government-wide Financial Analysis: (continued)

Governmental Activities - Governmental activities increased the Town's net position by \$231,979. Key elements of these changes are as follows:

Town of Haymarket, Virginia's Changes in Net Position			
	Governmental Activities		
	2014	2013	
Revenues			
Program revenues:			
Charges for services	\$ 166,667	\$ 357,015	
Operating grants and contributions	85,517	32,838	
Capital grants and contributions	477,750	243,456	
General revenues:			
General property taxes	317,500	328,174	
Other local taxes	1,077,523	1,137,475	
Grants and contributions not restricted to specific programs	149,284	149,577	
Other general revenues	238,158	223,634	
Total revenues	\$ 2,512,399	\$ 2,472,169	
Expenses			
General government administration	\$ 613,541	\$ 610,577	
Public safety	684,897	556,185	
Public works	306,382	281,174	
Cultural	48,577	17,145	
Community development	532,054	468,340	
Interest and other fiscal charges	94,969	60,598	
Total expenses	\$ 2,280,420	\$ 1,994,019	
Change in net position	\$ 231,979	\$ 478,150	
Net position, beginning	4,397,164	3,919,014	
Net position, ending	\$ 4,629,143	\$ 4,397,164	

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable 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 Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,210,172 an increase of \$216,933 in comparison with the prior year. A large part of this total amount, \$2,163,894 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance totals \$2,163,894 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$2,512,399 in revenues during the year, which was \$774,260 less than budgeted (reference Exhibit 7). The Town's General Fund expended \$3,996,966 during the year. Expenditures included a refunding of the principal debt of \$1,674,686. Proceeds from the debt refunding totaled \$1,701,500 which is not included in the budgetary amounts above. Overall the general fund had an increase in fund balance of \$216,933, (reference Exhibit 7).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2014 totals \$4,140,935 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and equipment. The Town's investment in governmental capital assets for the current fiscal year compared to the prior year total of \$4,257,472 results in a decrease of \$116,537. This decrease is due primarily to current year depreciation expense.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Debt

During the year, the Town's debt decreased \$127,285 as it repaid and refunded existing debt principal on general obligation debt in the General Fund. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in the notes to the financial statements.

Contact the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Haymarket, 15000 Washington Street, Haymarket, Virginia 20169.

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 2,083,854
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	16,319
Accounts receivable	43,045
Due from other governments	183,960
Prepaid items	11,078
Capital assets:	
Land	1,781,511
Other capital assets, net of accumulated depreciation	<u>2,359,424</u>
Capital assets, net	\$ <u>4,140,935</u>
Total assets	\$ <u><u>6,479,191</u></u>
Liabilities:	
Accounts payable	\$ 79,998
Accrued liabilities	6,717
Deposits payable	41,369
Long-term liabilities:	
Due within one year	170,746
Due in more than one year	<u>1,551,218</u>
Total liabilities	\$ <u>1,850,048</u>
Net Position:	
Net investment in capital assets	\$ 2,439,435
Unrestricted	<u>2,189,708</u>
Total net position	\$ <u>4,629,143</u>
Total liabilities and net position	\$ <u><u>6,479,191</u></u>

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

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government administration	\$ 613,541	\$ -	\$ -	\$ -	\$ (613,541)
Public safety	684,897	93,580	83,901	-	(507,416)
Public works	306,382	64,975	1,616	477,750	237,959
Cultural	48,577	8,112	-	-	(40,465)
Community development	532,054	-	-	-	(532,054)
Interest on long-term debt	94,969	-	-	-	(94,969)
Total primary government	\$ 2,280,420	\$ 166,667	\$ 85,517	\$ 477,750	\$ (1,550,486)
General Revenues:					
General property taxes					\$ 317,500
Meals tax					462,646
Cigarette tax					199,049
Business license tax					176,821
Consumer utility tax - electric					114,952
Other local taxes					124,055
Unrestricted revenues from the use of money and property					205,491
Grants and contributions not restricted to specific programs					149,284
Miscellaneous					32,667
Total general revenues					\$ 1,782,465
Change in net position					\$ 231,979
Net position, beginning of year					4,397,164
Net position, end of year					\$ 4,629,143

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

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet
 Governmental Fund
 June 30, 2014

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 2,083,854
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	16,319
Accounts receivable	43,045
Due from other governments	183,960
Prepaid items	<u>11,078</u>
Total assets	<u>\$ 2,338,256</u>
Liabilities:	
Accounts payable	\$ 79,998
Accrued liabilities	6,717
Deposits payable	<u>41,369</u>
Total liabilities	<u>\$ 128,084</u>
Fund Balance:	
Nonspendable:	
Prepaid items	\$ 11,078
Restricted:	
Proffers - Alexandras Keep - for historic resources	6,000
Fire funds	29,200
Unassigned	<u>2,163,894</u>
Total fund balance	<u>\$ 2,210,172</u>
Total liabilities and fund balance	<u>\$ 2,338,256</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2014

Total fund balances for governmental funds (Exhibit 3) \$ 2,210,172

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,781,511		
Depreciable capital assets, net of accumulated depreciation		<u>2,359,424</u>		4,140,935

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(1,701,500)		
Compensated absences		<u>(20,464)</u>		<u>(1,721,964)</u>

Total net position of governmental activities	\$	<u><u>4,629,143</u></u>		
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2014

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 317,500
Other local taxes	1,077,523
Permits, privilege fees and regulatory licenses	64,975
Revenue from use of money and property	205,491
Charges for services	101,692
Miscellaneous	32,667
Intergovernmental revenues:	
Commonwealth	211,265
Federal	501,286
Total revenues	\$ <u>2,512,399</u>
Expenditures:	
General government administration	\$ 600,440
Public safety	690,191
Public works	210,698
Cultural	39,829
Community development	532,054
Debt service:	
Principal retirement	1,828,785
Interest and fiscal charges	94,969
Total expenditures	\$ <u>3,996,966</u>
Excess (deficiency) of revenues over expenditures	\$ (1,484,567)
Other financing sources:	
Issuance of refunding bonds	<u>1,701,500</u>
Changes in fund balance	\$ 216,933
Fund balance at beginning of year	<u>1,993,239</u>
Fund balance at end of year	\$ <u><u>2,210,172</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit 5) \$ 216,933

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 by which depreciation exceeded capital outlays in the current period. Details supporting this adjustment are as follows:

Capital outlay	\$ 37,543	
Depreciation expense	<u>(154,080)</u>	(116,537)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.

Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	\$ 1,798,603	
Issuance of refunding bonds	(1,701,500)	
Principal retired on capital leases	<u>30,182</u>	127,285

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Decrease in compensated absences		<u>4,298</u>
Change in net position of governmental activities	\$	<u><u>231,979</u></u>

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Haymarket, located in Prince William County, Virginia, approximately 35 miles west of Washington, D.C. was initially chartered in 1799 and later incorporated in 1882. The Town has a population of approximately 1,850 and a land area of approximately 372 acres.

The Town is governed under the Mayor-Council form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and cultural events. Judicial administration, education, fire, library, health and welfare services are provided by Prince William County.

The financial statements of the Town of Haymarket, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Financial Reporting Entity (continued)

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the government's original budget as well as a current comparison of final budget and actual results for its major funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Government-wide and Fund Financial Statements (continued)

The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. 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, 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 as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statement.

The following is a brief description of the funds used by the Town in FY 2014.

1. *Governmental Funds* - Governmental Funds account for and report the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income. The General Fund is considered a major fund for reporting purposes.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt is recognized when due except for amounts due on July 1, which are accrued.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Administrator is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget revisions as of June 30.

E. Cash and Cash Equivalents

For purposes of cash flows, cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less from the date of acquisition.

F. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$602 at June 30, 2014 and consists of general receivables.

G. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements. The Town's capitalization threshold is \$1,500.

Property, plant and equipment and infrastructure purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation is recorded on capital assets on a government-wide basis or in the Proprietary Fund using the straight-line method and the following estimated useful lives:

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

G. Capital Assets (continued)

Building and historic museum	40 years
Building improvements	15 years
Infrastructure	30 years
Equipment	3-7 years
Vehicles	5 years

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

I. Compensated Absences

The Town accrues vacation leave benefits when vested. The amounts include all balances earned by employees that would be paid upon employee terminations, resignations or retirements.

J. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Government Fund Type Definitions*.

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 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 balances - amounts that are available for any purpose; positive amounts are only reported are only reported in the general fund.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Fund Equity (continued)

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. 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 purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position 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 does not have any deferred inflows of resources as of June 30, 2014.

L. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 2 - PROPERTY TAXES RECEIVABLE:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable March 1. The Town bills and collects its own property taxes. The Town does not record an allowance for uncollectible receivables as all receivables are deemed collectible.

NOTE 3 - DEPOSITS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2014 the Town has receivables from other governments as follows:

Commonwealth of Virginia:	
Fire funds	\$ 1,000
Sales tax	16,932
Communication tax	10,610
Federal Government:	
Virginia Department of Transportation	155,418
Total	<u>\$ 183,960</u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2014 (continued)**

NOTE 5 - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,781,511	\$ -	\$ -	\$ 1,781,511
Total capital assets not being depreciated	\$ 1,781,511	\$ -	\$ -	\$ 1,781,511
Other capital assets:				
Buildings and improvements	\$ 1,956,259	\$ 9,989	\$ -	\$ 1,966,248
Infrastructure assets	1,065,427	-	-	1,065,427
Historic museum	292,852	-	-	292,852
Police vehicles	234,323	-	48,836	185,487
Equipment	180,788	27,554	-	208,342
Total other capital assets	\$ 3,729,649	\$ 37,543	\$ 48,836	\$ 3,718,356
Accumulated depreciation:				
Buildings and improvements	\$ 522,635	\$ 76,278	\$ -	\$ 598,913
Infrastructure assets	331,401	35,514	-	366,915
Historic museum	87,626	8,748	-	96,374
Police vehicles	148,634	26,776	48,836	126,574
Equipment	163,392	6,764	-	170,156
Total accumulated depreciation	\$ 1,253,688	\$ 154,080	\$ 48,836	\$ 1,358,932
Other capital assets, net	\$ 2,475,961	\$ (116,537)	\$ -	\$ 2,359,424
Net capital assets	\$ 4,257,472	\$ (116,537)	\$ -	\$ 4,140,935

Depreciation expense has been allocated
as follows:

General government administration	\$ 13,093
Public safety	36,556
Public works	95,683
Cultural	8,748
Total depreciation expense	\$ 154,080

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
General obligation bonds	\$ 1,798,603	\$ 1,701,500	\$ 1,798,603	\$ 1,701,500	\$ 168,700
Compensated absences	24,762	4,857	9,155	20,464	2,046
Capital lease obligations	30,182	-	30,182	-	-
Total Governmental Obligations	<u>\$ 1,853,547</u>	<u>\$ 1,706,357</u>	<u>\$ 1,837,940</u>	<u>\$ 1,721,964</u>	<u>\$ 170,746</u>

Annual requirements to amortize the Town's long-term obligations are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 168,700	\$ 23,420
2016	153,900	35,165
2017	155,000	31,436
2018	155,700	27,682
2019	156,600	23,904
2020	157,300	20,103
2021	158,300	16,377
2022	159,200	12,424
2023	160,100	8,544
2024	136,600	4,945
2025	70,700	2,462
2026	69,400	815
Total	<u>\$ 1,701,500</u>	<u>\$ 207,277</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

Details of the Town's long-term obligations are as follows:

General Obligation Bonds:

\$1,458,000 2014 A General Obligation Refunding Bond Series 2014A, payable in semi-annual installments ranging from \$144,300 to \$69,400 beginning August 1, 2014 through August 1, 2025, interest payable at 2.28% \$ 1,458,000

\$243,500 2014 B Taxable General Obligation Refunding Bond Series 2014B, payable in semi-annual installments ranging from \$24,400 to \$20,400 beginning August 1, 2014 through August 1, 2023, interest payable at 3.25% 243,500

Total general obligation bonds \$ 1,701,500

Compensated absences 20,464

Total long-term obligations \$ 1,721,964

On June 18, 2014 the Town issued \$1,701,500 General Obligation Refunding Bonds, Series 2014 A and Series 2014 B to refund General Obligation Bonds 2004 A, 2004 B, 2004 C and 2005 General Obligation Bond principal and accrued interest in the amount of \$1,674,686. Issuance costs totaled \$26,814. This refunding was undertaken to save the Town \$155,707 in principal and interest payments on debt through 2026.

NOTE 7 - COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$20,464.

NOTE 8 - PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

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

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.
5. **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.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

6. **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.

Members are always 100% vested in the contributions that they make.

7. **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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **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%.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

- 14. Eligibility** - 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.

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.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- 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 (VSDP).
- 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.

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. 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.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

VRS – PLAN 2

1. **Plan Overview** - VRS 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 VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS 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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. 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%.

- 14. Eligibility** - Same as VRS Plan 1—Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

1. Plan Overview (continued)

- 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.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

4. **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.

5. **Creditable Service**

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - 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. VRS Plan 1 or VRS 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.

Defined Contribution Component - 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.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

6. Vesting (continued)

- 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.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - 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.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 8 - PENSION PLAN: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 8 - PENSION PLAN: (continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rate for the fiscal year ended 2014 was 8.57% of annual covered payroll.

C. Annual Pension Cost

For fiscal 2014, the Town's annual pension cost of \$42,203 was equal to the Town's required and actual contributions.

Three Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 42,203	100%	\$ -
June 30, 2013	38,863	100%	-
June 30, 2012	35,501	100%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 8 - PENSION PLAN: (continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 124.05% funded. The actuarial accrued liability for benefits was \$120,104, and the actuarial value of assets was \$148,992, resulting in an actuarial accrued asset of \$28,888. The covered payroll (annual payroll of active employees covered by the plan) was \$497,547 and ratio of the actuarial accrued asset to the covered payroll was 5.81%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 9 - LITIGATION:

At June 30, 2014 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 10 - OPERATING LEASES:

Lease Revenue: The Town leases certain commercial buildings and office suites in its Town Hall Properties. The non-cancelable operating lease agreements expire at various times throughout the fiscal years ending June 30, 2015 through 2019. Most of the leases are for one year with annual renewals of two to five years from inception. Rental income from these non-cancelable operating leases was approximately \$202,374 for the fiscal year ended June 30, 2014. The approximate future minimum lease rentals to be received by the Town's business-type activities are as follows for the fiscal years ending June 30:

Year Ending June 30:	
2015	\$ 208,453
2016	214,706
2017	221,147
2018	227,782
2019	234,615
	<u>\$ 1,106,703</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2014 (continued)

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Town participates are subject to audit in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

At June 30, 2014, the Town has a major project underway. Presented is a list of the major project, contract amounts, expenditures to date, and balances of contracts remaining:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures to Date</u>	<u>Balance of Contract</u>
Washington Street Enhancement	\$ 1,665,578	\$ 518,822	\$ 1,146,756

NOTE 12 - 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. The Town carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS:

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summary of the Governmental Accounting Standards Board (GASB) pronouncement that will affect the Town in upcoming years.

Upcoming Pronouncement:

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position.

- Required Supplementary Information -

Note to Required Supplementary Information:

Presented Budgets were prepared in accordance with
Accounting Principles Generally Accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General property taxes	\$ 330,932	\$ 330,932	\$ 317,500	\$ (13,432)
Other local taxes	1,068,000	1,068,000	1,077,523	9,523
Permits, privilege fees and regulatory licenses	45,750	45,750	64,975	19,225
Revenue from use of money and property	243,326	243,326	205,491	(37,835)
Charges for services	85,800	85,800	101,692	15,892
Miscellaneous	1,500	1,500	32,667	31,167
Intergovernmental revenues:				
Commonwealth	182,999	182,999	211,265	28,266
Federal	1,298,352	1,328,352	501,286	(827,066)
Total revenues	<u>\$ 3,256,659</u>	<u>\$ 3,286,659</u>	<u>\$ 2,512,399</u>	<u>\$ (774,260)</u>
Expenditures				
General government administration	\$ 521,483	\$ 523,483	\$ 600,440	\$ (76,957)
Public safety	679,494	736,794	690,191	46,603
Public works	196,107	216,307	210,698	5,609
Cultural	42,479	42,479	39,829	2,650
Community development	2,568,220	2,523,220	532,054	1,991,166
Debt service:				
Principal retirement	157,305	164,499	1,828,785	(1,664,286)
Interest and fiscal charges	90,342	90,342	94,969	(4,627)
Total expenditures	<u>\$ 4,255,430</u>	<u>\$ 4,297,124</u>	<u>\$ 3,996,966</u>	<u>\$ 300,158</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (998,771)	\$ (1,010,465)	\$ (1,484,567)	\$ (474,102)
Other financing sources:				
Issuance of refunding bonds	-	-	1,701,500	1,701,500
Changes in fund balance	\$ (998,771)	\$ (1,010,465)	\$ 216,933	\$ 1,227,398
Fund balance at beginning of year	998,771	1,010,465	1,993,239	982,774
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,210,172</u>	<u>\$ 2,210,172</u>

Virginia Retirement System
 Schedule of Pension Funding Progress
 Last Three Fiscal Years

Actuarial Valuation Date		Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)		(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$	148,992	\$ 120,104	\$ (28,888)	124.05%	\$ 497,547	-5.81%
6/30/2012		89,777	71,926	(17,851)	124.82%	453,408	-3.94%
6/30/2011		22,710	-	(22,710)	N/A	415,407	-5.47%

- Other Supplementary Information -
Supporting Schedules

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<u>General Fund:</u>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 291,032	\$ 291,032	\$ 288,366	\$ (2,666)
Public service corporation taxes:				
Real property	9,400	9,400	8,815	(585)
Business personal property taxes	25,000	25,000	18,867	(6,133)
Penalties and interest	5,500	5,500	1,452	(4,048)
Total general property taxes	<u>\$ 330,932</u>	<u>\$ 330,932</u>	<u>\$ 317,500</u>	<u>\$ (13,432)</u>
Other local taxes:				
Local sales and use taxes	\$ 85,000	\$ 85,000	\$ 97,056	\$ 12,056
Cigarette tax	250,000	250,000	199,049	(50,951)
Business license tax	140,000	140,000	176,821	36,821
Bank franchise taxes	18,000	18,000	26,999	8,999
Consumer utility tax - electric	100,000	100,000	114,952	14,952
Meals tax	475,000	475,000	462,646	(12,354)
Total other local taxes	<u>\$ 1,068,000</u>	<u>\$ 1,068,000</u>	<u>\$ 1,077,523</u>	<u>\$ 9,523</u>
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 10,000	\$ 10,000	\$ 2,207	\$ (7,793)
Motor vehicle licenses	750	750	2,713	1,963
Inspections	10,000	10,000	22,595	12,595
Occupancy permits	2,000	2,000	1,000	(1,000)
Other planning and permits	23,000	23,000	36,460	13,460
Total permits, privilege fees and regulatory licenses	<u>\$ 45,750</u>	<u>\$ 45,750</u>	<u>\$ 64,975</u>	<u>\$ 19,225</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 2,500	\$ 2,500	\$ 3,117	\$ 617
Revenue from use of property	240,826	240,826	202,374	(38,452)
Total revenue from use of money and property	<u>\$ 243,326</u>	<u>\$ 243,326</u>	<u>\$ 205,491</u>	<u>\$ (37,835)</u>
Charges for services:				
Recovered costs - events	\$ 10,500	\$ 10,500	\$ 8,112	\$ (2,388)
Public safety fees	75,300	75,300	93,580	18,280
Total charges for services	<u>\$ 85,800</u>	<u>\$ 85,800</u>	<u>\$ 101,692</u>	<u>\$ 15,892</u>

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous income	\$ 1,500	\$ 1,500	\$ 32,667	\$ 31,167
Total revenue from local sources	\$ 1,775,308	\$ 1,775,308	\$ 1,799,848	\$ 24,540
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,627	\$ 18,627	\$ 18,627	\$ -
Telecommunications tax	120,000	120,000	126,305	6,305
Other	-	-	2,804	2,804
Rolling stock tax	1,450	1,450	1,548	98
Total non-categorical aid	\$ 140,077	\$ 140,077	\$ 149,284	\$ 9,207
Categorical aid:				
Law enforcement grants	\$ 33,922	\$ 33,922	\$ 28,368	\$ (5,554)
Fire funds	8,000	8,000	18,000	10,000
VDOT - highway construction grant	-	-	15,130	15,130
Emergency services grant	1,000	1,000	483	(517)
Total categorical aid	\$ 42,922	\$ 42,922	\$ 61,981	\$ 19,059
Total revenue from the Commonwealth	\$ 182,999	\$ 182,999	\$ 211,265	\$ 28,266
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	\$ -	\$ -	\$ 1,133	\$ 1,133
Asset forfeiture grant	-	30,000	30,000	-
Ground transportation safety grant	7,500	7,500	7,533	33
VDOT - highway construction grant	1,290,852	1,290,852	462,620	(828,232)
Total categorical aid	\$ 1,298,352	\$ 1,328,352	\$ 501,286	\$ (827,066)
Total revenue from the federal government	\$ 1,298,352	\$ 1,328,352	\$ 501,286	\$ (827,066)
Total General Fund	\$ 3,256,659	\$ 3,286,659	\$ 2,512,399	\$ (774,260)

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<u>General Fund:</u>				
General government administration:				
Mayor and Town Council	\$ 33,655	\$ 33,655	\$ 34,300	\$ (645)
Salary - general	239,540	241,340	231,707	9,633
Fringe benefits - general	47,878	47,878	77,703	(29,825)
Payroll taxes	18,000	18,100	25,514	(7,414)
Accounting	20,000	20,100	42,771	(22,671)
Cigarette tax administration	7,500	7,500	6,350	1,150
Advertising	13,000	13,000	8,359	4,641
Miscellaneous	7,600	7,600	6,965	635
Professional services	18,000	18,000	15,591	2,409
Training	3,000	3,000	2,651	349
Travel	3,500	3,500	2,590	910
Legal services	80,000	80,000	110,343	(30,343)
Office expenses	13,900	13,900	20,604	(6,704)
Insurance	15,910	15,910	14,992	918
Total general government administration	\$ 521,483	\$ 523,483	\$ 600,440	\$ (76,957)
Public safety:				
Salary - law enforcement	\$ 353,812	\$ 356,012	\$ 330,615	\$ 25,397
Fringe benefits	119,802	119,802	89,582	30,220
Payroll taxes	30,000	30,100	21,172	8,928
Workers compensation	10,000	10,000	9,966	34
Legal services	14,500	14,500	15,899	(1,399)
Miscellaneous	40,205	70,205	65,759	4,446
Travel	500	500	261	239
Office expenses	3,875	3,875	10,590	(6,715)
Insurance	20,950	20,950	19,774	1,176
Vehicle fuel	25,000	25,000	23,142	1,858
Vehicle supplies	22,000	22,000	25,728	(3,728)
Uniforms	8,850	8,850	2,424	6,426
Building official	30,000	55,000	75,279	(20,279)
Total public safety	\$ 679,494	\$ 736,794	\$ 690,191	\$ 46,603

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund: (Continued)				
Public works:				
Maintenance of buildings and grounds	\$ 94,151	\$ 118,351	\$ 90,580	\$ 27,771
Trash removal	67,000	67,000	67,348	(348)
Rental property - Suite 110	6,623	6,623	6,346	277
Rental property - Suite 200	7,220	7,220	4,634	2,586
Rental property - Suite 204	6,465	6,465	4,300	2,165
Rental property - Hulfish House	2,652	2,652	1,803	849
Rental property - 14710 Washington Street	-	-	3,477	(3,477)
Rental property - 15026 Washington Street	8,660	4,660	-	4,660
Rental property - 15000 Washington Street	-	-	30,277	(30,277)
Rental property - 15020 Washington Street	3,336	3,336	1,933	1,403
Total public works	\$ 196,107	\$ 216,307	\$ 210,698	\$ 5,609
Cultural:				
Museum	\$ 34,979	\$ 34,979	\$ 33,846	\$ 1,133
Special events	7,500	7,500	5,983	1,517
Total cultural	\$ 42,479	\$ 42,479	\$ 39,829	\$ 2,650
Community development:				
Planning commission	\$ 9,800	\$ 9,800	\$ 4,280	\$ 5,520
Architectural review board	8,564	8,564	3,644	4,920
Caboose Enhancement	42,000	42,000	2,450	39,550
Streetscape project	2,499,856	2,454,856	521,680	1,933,176
Contributions to other entities	8,000	8,000	-	8,000
Total community development	\$ 2,568,220	\$ 2,523,220	\$ 532,054	\$ 1,991,166
Debt service:				
Principal retirement	\$ 157,305	\$ 164,499	\$ 1,828,785	\$ (1,664,286)
Interest and other debt costs	90,342	90,342	94,969	(4,627)
Total debt service	\$ 247,647	\$ 254,841	\$ 1,923,754	\$ (1,668,913)
Total General Fund	\$ 4,255,430	\$ 4,297,124	\$ 3,996,966	\$ 300,158

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Honorable Members of the Town Council
Town of Haymarket
Haymarket, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Town of Haymarket, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Haymarket, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the effectiveness of Town of Haymarket, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Haymarket, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haymarket, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 25, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Members of The Town Council
Town of Haymarket, Virginia
Haymarket, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Haymarket, Virginia's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Haymarket, Virginia's major federal programs for the year ended June 30, 2014. Town of Haymarket, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Haymarket, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Haymarket, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Haymarket, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Haymarket, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Town of Haymarket, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Haymarket, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Haymarket, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 25, 2014

TOWN OF HAYMARKET, VIRGINIA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

<u>Federal Grantor/State Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Transportation:			
Pass-through payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	UPC 64766	\$ 462,620
Alcohol Open Container Requirements	20.607	60507-50320	<u>7,533</u>
Total Department of Transportation			\$ <u>470,153</u>
Department of Homeland Security:			
Pass-through payments:			
Department of Emergency Services:			
Hazard Mitigation Grant	97.039	Unknown	\$ <u>1,133</u>
Department of Treasury:			
Direct payments:			
Forfeited Asset Grants	21.000	N/A	\$ <u>30,000</u>
Total Expenditures of Federal Awards			\$ <u><u>501,286</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF HAYMARKET, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Town of Haymarket, Virginia under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a select portion of the operations of Town of Haymarket, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Haymarket, Virginia.

Note 2 - Summary of Significant Accounting Policies:

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

TOWN OF HAYMARKET, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	None reported

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Schedule of Prior Year Findings and Questioned Costs

There are no prior year audit findings.