

TOWN OF HAMILTON, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**TOWN OF HAMILTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

	LIST OF COUNCIL AND PRINCIPAL OFFICIALS	1
<hr/>		
FINANCIAL SECTION		
<hr/>		
	Independent Auditor’s Report	2 – 3
	Management’s Discussion and Analysis	4 – 11
	Basic Financial Statements	
	Government-wide Financial Statements	
Exhibit I	Statement of Net Position	12
Exhibit II	Statement of Activities	13
	Fund Financial Statements	
	Government Funds	
Exhibit III	Balance Sheet	14
Exhibit IV	Statements of Revenues, Expenditures, and Changes in Fund Balance	15
Exhibit V	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statements of Activities	16
Exhibit VI	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
	Proprietary Funds	
Exhibit VII	Statement of Net Position	18
Exhibit VIII	Statement of Revenues, Expenses and Changes in Fund Net Position	19
Exhibit IX	Statement of Cash Flows	20
	Notes to Financial Statements	21 – 53
	Supplementary Information	
	General Fund	
Schedule 1	Schedule of Revenue and Other Financing Sources – Budget and Actual	54
Schedule 2	Schedule of Expenditures – Budget and Actual	55
	Combining and Individual Fund Statements and Schedules	
	Non-major Governmental Funds	
Schedule 3	Combining Balance Sheet	56
Schedule 4	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	57
<hr/>		
STATISTICAL SECTION		
<hr/>		
Table 1	General Governmental Revenues by Source	58
Table 2	General Governmental Expenditures by Function	59
Table 3	Assessed Value of Taxable Property	60
Table 4	Computation of Legal Debt Margin	61

**TOWN OF HAMILTON, VIRGINIA
JUNE 30, 2020**

MAYOR AND TOWN COUNCIL

David R. Simpson, Mayor

Kenneth C. Wine, Vice Mayor
Elizabeth Gaucher
Catherine Salter

Craig M. Green
Rebecca A. Jones
Gregory K. Wilmoth

OFFICIALS

Tina M. Staples, Treasurer
Martha M. Semmes, FAICP, Zoning Administrator
Jennifer Noel, Recorder

LEGAL COUNSEL

Maureen K. Gilmore

FINANCIAL SECTION

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
W. MATTHEW BURNS, CPA

KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA
MEGAN R. JOLLON, CPA

110 EAST MARKET STREET 108 W. WASHINGTON STREET
SUITE 200 SUITE 203
LEESBURG, VIRGINIA 20176 MIDDLEBURG, VIRGINIA 20117
703.777.4900 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Hamilton, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Virginia, as of June 30, 2020, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

September 3, 2020
Leesburg, Virginia

Mitchell & Co., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hamilton, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Hamilton, Virginia for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,976,005.
- The Town's total net position decreased by \$6,483.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$474,218 a decrease of \$266,287 in comparison with the prior year. All of this amount is restricted or in nonspendable form.
- The Town's total bonded debt decreased by \$115,000 (32.4 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 53 of this report.

Supplementary Information. General fund revenue and expenditure – budget and actual comparison schedules and other governmental combining schedules referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 56 – 57 of this report.

Statistical Section Data. Additional Town historical and other data is provided in this section and can be found on pages 58-61.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hamilton, Virginia, assets exceeded liabilities by \$10,976,055 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Hamilton uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net position by type of activity as of June 30, 2020.

Town of Hamilton – Net Position

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 874,119	\$ 2,443,389	\$ 3,317,508
Capital assets	1,587,489	6,853,689	8,441,178
Total Assets	<u>2,461,608</u>	<u>9,297,078</u>	<u>11,758,686</u>
Deferred Outflows of Resources	<u>21,884</u>	<u>30,059</u>	<u>51,943</u>
Liabilities			
Long-term liabilities	65,754	196,762	262,516
Other liabilities	390,141	164,437	554,578
Total Liabilities	<u>455,895</u>	<u>361,199</u>	<u>817,094</u>
Deferred Inflows of Resources	<u>3,010</u>	<u>14,520</u>	<u>17,530</u>
Net Position			
Nonspendable	1,587,489	6,613,689	8,201,178
Restricted	509,420	-	509,420
Unrestricted	(72,322)	2,337,729	2,265,407
Total Net Position	<u>\$ 2,024,587</u>	<u>\$ 8,951,418</u>	<u>\$ 10,976,005</u>

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

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

The Town's net position decreased by \$6,483 during the current fiscal year.

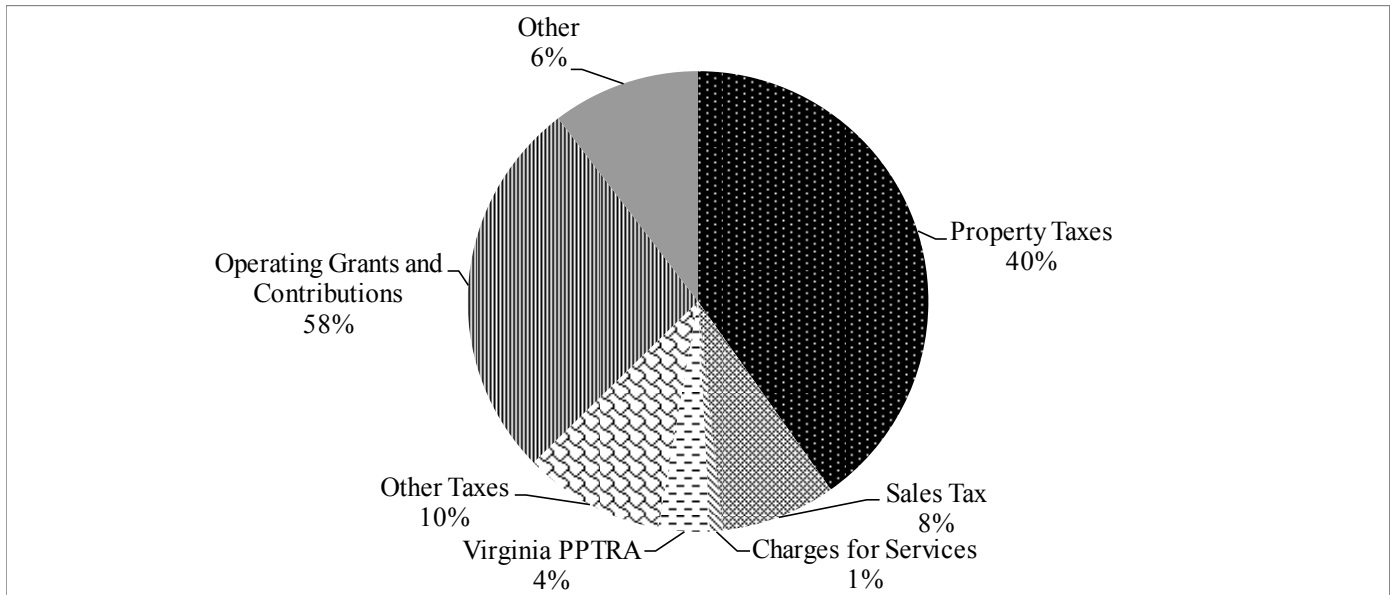
Governmental activities. Governmental activities increased the Town of Hamilton’s net position by \$199,798. These changes are presented in column one of the following table:

Town of Hamilton – Changes in Net Position

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 5,860	\$ 883,295	\$ 889,155
Operating grants and contributions	176,797	-	176,797
Capital grants and contributions	-	18,100	18,100
General Revenues			
Property taxes	263,817	-	263,817
Other taxes	141,396	-	141,396
Other	68,129	142,782	210,911
Total Revenues	<u>655,999</u>	<u>1,044,177</u>	<u>1,700,176</u>
Expenses			
General government	387,460	-	387,460
Public safety	2,058	-	2,058
Public works	63,991	-	63,991
Infrastructure depreciation	2,692	-	2,692
Water	-	559,080	559,080
Sewer	-	691,378	691,378
Total Expenses	<u>456,201</u>	<u>1,250,458</u>	<u>1,706,659</u>
Transfers	-	-	-
Increase (Decrease) in Net Position	199,798	(206,281)	(6,483)
Net Position - beginning	1,824,789	9,157,699	10,982,488
Net Position - ending	<u>\$ 2,024,587</u>	<u>\$ 8,951,418</u>	<u>\$ 10,976,005</u>

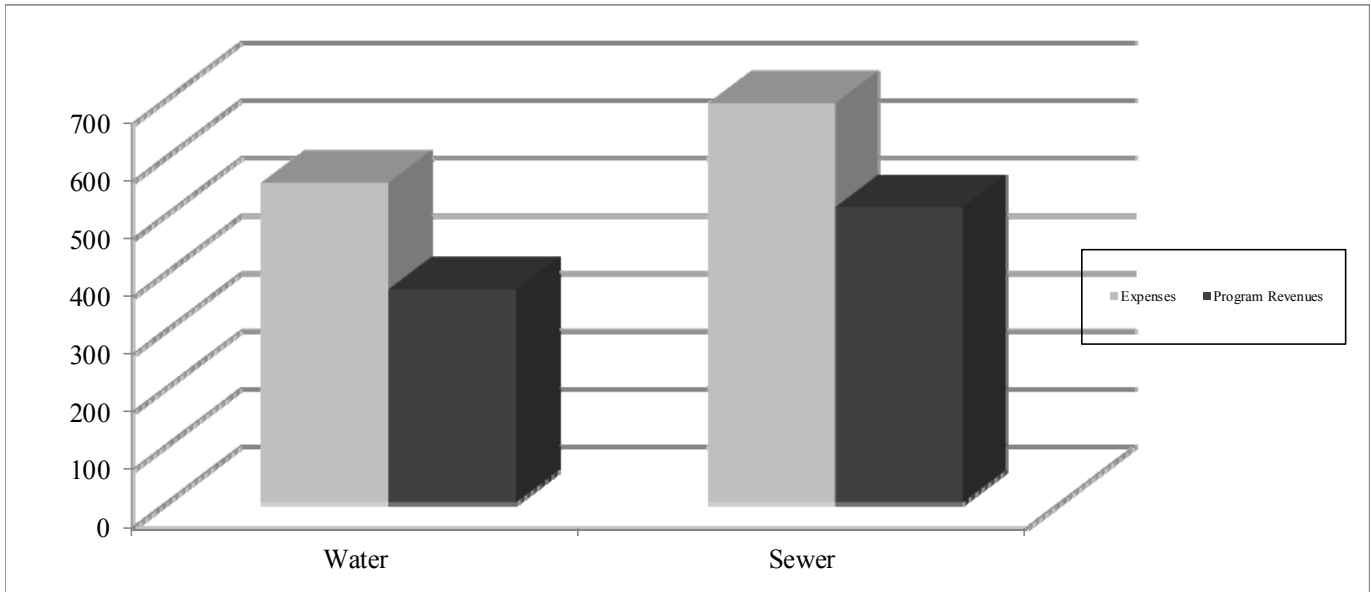
The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2020.

Revenues by Source – Governmental Activities

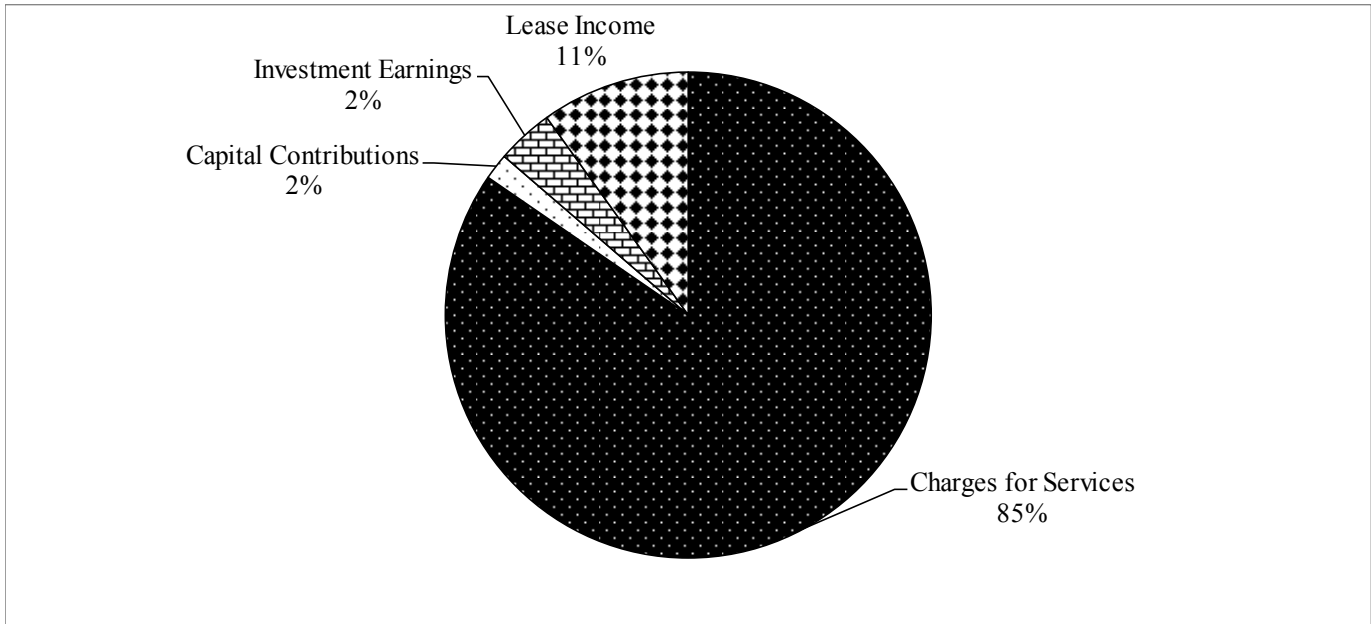


Business-type activities. Business-type activities decreased the Town of Hamilton’s net position by \$206,281.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Hamilton's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the

Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$474,218, a decrease of \$266,287 in comparison with the prior year. This total amount includes a deficit balance (\$114,505) of unassigned fund balance. The remainder of fund balance represents funds in nonspendable form (\$28,304), and restricted (\$543,124) to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

The general fund is the chief operating fund of the Town of Hamilton, Virginia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(114,505) and the nonspendable fund balance of the general fund was \$28,304. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$(114,505) includes payment for capital projects which the Town expects reimbursement for in the next fiscal year. After reimbursement, unassigned fund balance would be \$263,539, which is almost 29% of the total general fund operating expenditures of \$921,175.

The fund balance of the Town of Hamilton, Virginia's general fund decreased by \$276,296 during the current fiscal year.

Proprietary funds. The Town of Hamilton, Virginia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the water fund at the end of the year amounted to \$4,510,660 and those for the sewer fund amounted to \$4,440,758. The total decrease in net position for proprietary funds was \$206,281. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Hamilton, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$8,441,178 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and roads.

Major capital asset events during the current fiscal year include the following:

- Paving and drainage improvements

The table below summarizes the capital assets of the Town at June 30, 2020.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 504,733	\$ 421,162	\$ 925,895
Buildings and improvements	276,776	35,046	311,822
Utility distribution systems	-	6,294,290	6,294,290
Machinery and equipment	94,336	103,191	197,527
Infrastructure	711,644	-	711,644
TOTAL	\$ 1,587,489	\$ 6,853,689	\$ 8,441,178

Additional information on the Town of Hamilton capital assets can be found in note III. D on pages 31 – 32 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Hamilton, Virginia had total bonded debt outstanding of \$240,000. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

The Town of Hamilton’s total debt decreased by \$115,000 (32 percent) during the current fiscal year. The key factor in this decrease was the fact that debt was paid down during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Hamilton is \$8,865,756, which is in excess of the Town’s outstanding general obligation debt.

Additional information on the Town of Hamilton’s long-term debt can be found in note III. E on pages 33 – 34 of this report.

Requests for Information

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

TOWN OF HAMILTON, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 503,329	\$ 316,496	\$ 819,825
Certificate of deposits	84,191	122,463	206,654
Investments	437,826	1,615,932	2,053,758
Receivables			
Delinquent taxes, including penalties	5,539	-	5,539
Accrued interest	253	649	902
Accounts	-	137,869	137,869
Rent	22,913	-	22,913
Other	4,200	-	4,200
Due from other governments	7,564	-	7,564
Due from other funds	(220,000)	220,000	-
Prepays and other	28,304	29,980	58,284
Capital assets (net of accumulated depreciation):			
Land	504,733	421,162	925,895
Buildings and improvements	276,776	35,046	311,822
Utility distribution systems	-	6,294,290	6,294,290
Machinery and equipment	94,336	103,191	197,527
Infrastructure	711,644	-	711,644
Total Assets	2,461,608	9,297,078	11,758,686
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	10,409	10,409
Deferred pension obligation	21,884	19,650	41,534
Total Deferred Outflows	21,884	30,059	51,943
Liabilities			
Accounts payable	390,141	42,089	432,230
Accrued interest payable	-	2,348	2,348
Noncurrent liabilities:			
Due within one year	-	120,000	120,000
Due in more than one year	65,754	196,762	262,516
Total Liabilities	455,895	361,199	817,094
Deferred Inflows of Resources			
Deferred connection fees	-	11,500	11,500
Deferred pension inflow	3,010	3,020	6,030
Total Deferred Inflows	3,010	14,520	17,530
Net Position			
Invested in capital assets, net of related debt	1,587,489	6,613,689	8,201,178
Restricted	509,420	-	509,420
Unrestricted	(72,322)	2,337,729	2,265,407
Total Net Position	\$ 2,024,587	\$ 8,951,418	\$ 10,976,005

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

TOWN OF HAMILTON, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 387,460	\$ -	\$ 166,797	\$ -	\$ (220,663)	\$ -	\$ (220,663)
Public safety	2,058	-	10,000	-	7,942	-	7,942
Public works	63,991	-	-	-	(63,991)	-	(63,991)
Planning and zoning	-	5,860	-	-	5,860	-	5,860
Infrastructure depreciation	2,692	-	-	-	(2,692)	-	(2,692)
Total Governmental Activities	456,201	5,860	176,797	-	(273,544)	-	(273,544)
Business-type activities:							
Water	559,080	370,389	-	18,100	-	(170,591)	(170,591)
Sewer	691,378	512,906	-	-	-	(178,472)	(178,472)
Total Business-Type Activities	1,250,458	883,295	-	18,100	-	(349,063)	(349,063)
Total Primary Government	\$ 1,706,659	\$ 889,155	\$ 176,797	\$ 18,100	(273,544)	(349,063)	(622,607)
General Revenues:							
Property taxes					263,817	-	263,817
Sales taxes					53,019	-	53,019
Business and occupational taxes					25,509	-	25,509
Consumer taxes					26,489	-	26,489
Virginia personal property tax reduction					23,496	-	23,496
Motor vehicle licenses					12,883	-	12,883
Miscellaneous					6,382	-	6,382
Insurance reimbursement					3,889	-	3,889
Unrestricted investment earnings					11,058	39,428	50,486
Lease income					46,800	103,354	150,154
Transfers in (out)					-	-	-
Total general revenues					473,342	142,782	616,124
Change in net position					199,798	(206,281)	(6,483)
Net position - beginning					1,824,789	9,157,699	10,982,488
Net position - ending					\$ 2,024,587	\$ 8,951,418	\$ 10,976,005

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

TOWN OF HAMILTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 455,013	\$ 48,316	\$ 503,329
Certificates of deposit	84,191	-	84,191
Investments	437,826	-	437,826
Receivables:			
Property taxes	5,539	-	5,539
Accrued interest	253	-	253
Rent	22,913	-	22,913
Other	4,200	-	4,200
Due from other governments	7,564	-	7,564
Prepays	28,304	-	28,304
Total Assets	1,045,803	48,316	1,094,119
Liabilities			
Accounts payable	390,141	-	390,141
Compensated absences payable	3,928	-	3,928
Due to other funds	220,000	-	220,000
Rental deposit	3,900	-	3,900
Total Liabilities	617,969	-	617,969
Deferred Inflows of Resources			
Unavailable revenue	1,932	-	1,932
Fund Balances			
Nonspendable			
Prepaid expenses	28,304	-	28,304
Restricted			
Community park	-	17,295	17,295
Fire program	-	31,021	31,021
Streets and sidewalks	461,104	-	461,104
COVID Support	50,999	-	50,999
Unassigned	(114,505)	-	(114,505)
Total Fund Balances	425,902	48,316	474,218
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,045,803	\$ 48,316	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	1,587,489
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,932
Pension obligation reporting	(39,052)
Net position of governmental activities	<u>\$ 2,024,587</u>

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
General property taxes	\$ 262,706	\$ -	\$ 262,706
Other local taxes	92,391	-	92,391
Permits, licenses, and fees	31,369	-	31,369
Interest	11,049	9	11,058
Real estate rental	46,800	-	46,800
Intergovernmental	190,293	10,000	200,293
Miscellaneous	10,271	-	10,271
Total revenues	644,879	10,009	654,888
Expenditures			
General government administration	352,170	-	352,170
Public works	567,005	-	567,005
Public safety	2,000	-	2,000
Total expenditures	921,175	-	921,175
Net change in fund balances	(276,296)	10,009	(266,287)
Other Financing Sources (Uses)			
Transfers (out) in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(276,296)	10,009	(266,287)
Fund balances - beginning	702,198	38,307	740,505
Fund balances - ending	\$ 425,902	\$ 48,316	\$ 474,218

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

TOWN OF HAMILTON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds \$ (266,287)

Governmental funds report capital outlays as expenditures. However, in the Government Wide 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 capital outlays exceeded depreciation in the current period.

Expenditure for capital assets	519,488	
Less depreciation and amortization expense	(29,457)	
		490,031

Revenues in the Government Wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,111

Change in deferred revenue

Governmental funds report pension contributions as expenditures. However, in the Government Wide Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense with the pension obligation reported in the Statement of Net Position.

Pension obligation	(32,151)	
Pension expense	7,094	
		(25,057)

Change in net position of governmental activities \$ 199,798

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

TOWN OF HAMILTON, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 252,007	\$ 262,706	\$ 10,699
Other local taxes	93,000	92,391	(609)
Permits, fees, and licenses	22,000	31,369	9,369
Interest	10,493	11,049	556
Real estate rental	46,800	46,800	-
Miscellaneous	3,200	10,271	7,071
Intergovernmental	357,268	190,293	(166,975)
Total Revenues	784,768	644,879	(139,889)
Expenditures			
General government administration	436,198	352,170	84,028
Public safety donations	2,000	2,000	-
Public works	801,930	567,005	234,925
Total Expenditures	1,240,128	921,175	318,953
Excess (deficiency) of Revenues over Expenditures	(455,360)	(276,296)	179,064
Other Financing Sources (Uses)			
Transfers in (out)	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(455,360)	(276,296)	179,064
Fund balance - beginning	702,198	702,198	-
Fund balance - ending	\$ 246,838	\$ 425,902	\$ 179,064

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Assets					
Current assets					
Cash and cash equivalents	\$ 25,091	\$ 5,147	\$ 291,405	\$ 371,625	\$ 316,496
Certificates of deposit	12,417	90,960	110,046	916,123	122,463
Investments	466,872	380,077	1,149,060	312,917	1,615,932
Accounts receivable	50,812	49,459	87,057	59,980	137,869
Accrued interest receivable	37	242	612	1,447	649
Prepaid expenses	1,011	5,366	28,969	31,939	29,980
Total current assets	556,240	531,251	1,667,149	1,694,031	2,223,389
Noncurrent assets					
Capital assets					
Land, buildings and structures	413,748	413,748	940,021	940,021	1,353,769
Utility distribution systems	5,913,299	5,903,241	4,386,161	4,386,161	10,299,460
Equipment	439,010	439,366	368,141	364,114	807,151
Less accumulated depreciation	(2,653,809)	(2,489,644)	(2,952,882)	(2,856,648)	(5,606,691)
Total capital assets (net of accumulated depreciation)	4,112,248	4,266,711	2,741,441	2,833,648	6,853,689
Due from other funds	110,000	130,000	110,000	130,000	220,000
Total noncurrent assets	4,222,248	4,396,711	2,851,441	2,963,648	7,073,689
Total Assets	4,778,488	4,927,962	4,518,590	4,657,679	9,297,078
Deferred Outflows of Resources					
Deferred charge on refunded debt	5,963	8,942	4,446	6,669	10,409
Deferred pension obligation	9,903	15,244	9,747	13,837	19,650
	15,866	24,186	14,193	20,506	30,059
Liabilities					
Current liabilities					
Accounts payable	19,387	6,844	22,702	11,338	42,089
Accrued interest payable	2,113	3,380	235	376	2,348
General obligation bonds - current	108,000	103,500	12,000	11,500	120,000
Total current liabilities	129,500	113,724	34,937	23,214	164,437
Noncurrent liabilities					
Compensated absences	1,964	1,877	1,964	1,877	3,928
Premium on bonds	13,264	19,894	1,470	2,207	14,734
General obligation bonds payable	108,000	216,000	12,000	24,000	120,000
Unfunded pension liability	29,436	29,335	28,664	24,216	58,100
Total noncurrent liabilities	152,664	267,106	44,098	52,300	196,762
Total Liabilities	282,164	380,830	79,035	75,514	361,199
Deferred Inflows of Resources					
Deferred connection fees	-	-	11,500	12,500	11,500
Deferred pension inflow	1,530	2,076	1,490	1,714	3,020
	1,530	2,076	12,990	14,214	14,520
Net Position					
Invested in capital assets, net of related debt	3,896,248	3,947,211	2,717,441	2,798,148	6,613,689
Unrestricted	614,412	622,031	1,723,317	1,790,309	2,337,729
Total Net Position	\$ 4,510,660	\$ 4,569,242	\$ 4,440,758	\$ 4,588,457	\$ 8,951,418

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				
	Water	Water	Sewer	Sewer	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Operating revenues					
Charges for services	\$ 356,744	\$ 339,355	\$ 472,664	\$ 357,201	\$ 829,408
Connection fees	3,400	3,400	1,000	6,500	4,400
Miscellaneous revenue	10,245	7,563	39,242	5,722	49,487
Total operating revenues	370,389	350,318	512,906	369,423	883,295
Operating expenses					
Personal service	46,583	130,639	43,712	105,112	90,295
Fringe benefits	15,639	61,907	19,966	53,201	35,605
Contracted services	196,898	-	202,697	-	399,595
Depreciation	169,564	176,971	101,637	103,158	271,201
Truck expense	1,145	5,784	1,141	5,784	2,286
Supplies	7,880	5,288	58,258	43,638	66,138
Repairs and maintenance	33,649	20,870	194,675	105,240	228,324
Water system integration	31,515	41,569	-	-	31,515
Utilities	40,934	39,294	29,600	28,386	70,534
Insurance	4,333	3,888	4,333	3,888	8,666
Telephone	1,235	1,616	3,952	4,272	5,187
Consultants	2,660	14,322	31,098	29,944	33,758
Other charges	3,003	4,578	1,771	1,756	4,774
Total operating expenses	555,038	506,726	692,840	484,379	1,247,878
Operating income (loss)	(184,649)	(156,408)	(179,934)	(114,956)	(364,583)
Nonoperating revenues (expenses)					
Investment earnings	8,655	11,131	30,773	19,623	39,428
Lease income	103,354	99,242	-	-	103,354
Accounting charge on refinance	(2,979)	(2,979)	(2,223)	(2,223)	(5,202)
Interest expense	(3,091)	(8,019)	(343)	(891)	(3,434)
Gain on sale of asset	2,028	-	4,028	-	6,056
Total nonoperating revenue (expenses)	107,967	99,375	32,235	16,509	140,202
Income before contributions and transfers	(76,682)	(57,033)	(147,699)	(98,447)	(224,381)
Transfers and contributions					
Capital contributions	18,100	18,100	-	12,400	18,100
Transfers in (out)	-	-	-	-	-
Change in net position	(58,582)	(38,933)	(147,699)	(86,047)	(206,281)
Total net position - beginning of year	4,569,242	4,608,175	4,588,457	4,674,504	9,157,699
Total net position - end of year	\$ 4,510,660	\$ 4,569,242	\$ 4,440,758	\$ 4,588,457	\$ 8,951,418

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

TOWN OF HAMILTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 472,390	\$ 484,829	\$ 957,219
Payments to suppliers	(306,354)	(513,191)	(819,545)
Payments to employees	(57,239)	(55,277)	(112,516)
Net cash provided by (used in) operating activities	108,797	(83,639)	25,158
Cash Flows from Capital and Related Financing Activities			
Capital contributions	18,100	-	18,100
Interfund loan payments	20,000	20,000	40,000
Principal paid on capital debt	(103,500)	(11,500)	(115,000)
Interest paid on capital debt	(10,988)	(1,221)	(12,209)
Net cash provided by (used in) capital and related financing activities	(76,388)	7,279	(69,109)
Cash Flows from Investing Activities			
(Purchases) redemption of certificates of deposit	78,543	806,077	884,620
Sale of assets	8,000	10,000	18,000
Purchases of assets	(21,073)	(15,402)	(36,475)
Interest and dividends received	8,860	31,608	40,468
Net cash provided by (used in) investing activities	74,330	832,283	906,613
Net increase (decrease) in cash and cash equivalents	106,739	755,923	862,662
Cash and cash equivalents June 30, 2019	385,224	684,542	1,069,766
Cash and cash equivalents June 30, 2020	\$ 491,963	\$ 1,440,465	\$ 1,932,428
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating loss	\$ (184,649)	\$ (179,934)	\$ (364,583)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	169,564	101,637	271,201
Lease income	103,354	-	103,354
(Increase) decrease in accounts receivable	(1,353)	(27,077)	(28,430)
(Increase) decrease in prepaid and other assets	4,355	2,970	7,325
(Increase) decrease in deferred pension obligation	5,341	4,090	9,431
Increase (decrease) in operating accounts payable	12,543	11,364	23,907
Increase (decrease) in compensated absences	87	87	174
Increase (decrease) in pension liability	101	4,448	4,549
Increase (decrease) in deferred outflows	(546)	(1,224)	(1,770)
Total adjustments	293,446	96,295	389,741
Net cash provided by operating activities	\$ 108,797	\$ (83,639)	\$ 25,158

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

1. Deposits and Investments

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

2. Receivables and Payables

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3. Capital Assets

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

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

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Deferred Outflows/Inflows of Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Deferred Outflows/Inflows of Resources (Continued)

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

7. Fund Balance

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Fund Balance (Continued)

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

8. Net Position

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

9. Estimates

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

10. Comparative Data

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

11. Pensions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Before June 30, the proposed budget is presented to Town Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30. The appropriated budget is prepared by fund, function, and department. The Town's council made supplemental budgetary appropriations during the year totaling \$56,496.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2020 there were no expenditures that exceeded appropriations in the general fund departments.

A. Deposits and Investments

Deposits

At year-end June 30, 2020 the carrying amount of the Town's deposits with banks and savings institutions was \$1,026,279 and the bank balance was \$1,048,113.

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

Investments

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

As of June 30, 2020, the Town had the following investments:

Description	Carrying Amount
Local Government Investment Pool	\$ 891,501
Virginia Investment Pool	1,162,257
	<u>\$2,053,758</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

A. Deposits and Investments (Continued)

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

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

Credit risk. State Law limits investments in commercial paper and corporate bonds to the top rating issued by nationally recognized statistical rating organizations. It is the Town's policy to limit its investments in these types of investments to the state Law. As of June 30, 2020, the Town's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's.

Concentration of credit risk. The Town's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the Town's total investments.

A reconciliation of cash on hand, bank deposits and investments is as follows:

Footnote Classification	Combined Balance Sheet Classifications		
	Total	Cash and cash equivalents	Non-cash and cash equivalents
Petty cash	\$ 200	\$ 200	\$ -
Bank deposits	1,026,279	819,625	206,654
Investments	2,053,758	2,053,758	-
Total	\$ 3,080,237	\$ 2,873,583	\$ 206,654

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

B. Receivables

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

	General	Water	Sewer	Total
Receivables:				
Delinquent property taxes	\$ 5,539	\$ -	\$ -	\$ 5,539
Accounts				
Billed	-	16,361	41,207	57,568
Unbilled	-	34,376	45,850	80,226
Interest	253	37	612	902
Intergovernmental	7,564	-	-	7,564
Rental/other	27,113	75	-	27,188
Net total receivables	<u>\$ 40,469</u>	<u>\$ 50,849</u>	<u>\$ 87,669</u>	<u>\$ 178,987</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was no deferred revenue reported in the governmental funds representing delinquent property taxes in the general fund.

C. Due from Other Governments

At June 30, 2020 amounts due from other governments were as follows:

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 504,733	\$ -	\$ -	\$ 504,733
Total capital assets, not being depreciated	504,733	-	-	504,733
Capital assets, being depreciated:				
Buildings and improvements	430,299	-	-	430,299
Furniture, fixtures and equipment	222,635	-	-	222,635
Infrastructure	356,515	519,488	-	876,003
Total capital assets being depreciated	1,009,449	519,488	-	1,528,937
Less accumulated depreciation for:				
Buildings and improvements	(139,883)	(13,640)	-	(153,523)
Furniture, fixtures and equipment	(115,174)	(13,125)	-	(128,299)
Infrastructure	(161,667)	(2,692)	-	(164,359)
Total accumulated depreciation	(416,724)	(29,457)	-	(446,181)
Net capital assets being depreciated	592,725	490,031	-	1,082,756
Governmental capital assets, net	\$1,097,458	\$ 490,031	\$ -	\$1,587,489

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

D. Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 421,162	\$ -	\$ -	\$ 421,162
Total capital assets, not being depreciated	421,162	-	-	421,162
Capital assets, being depreciated:				
Buildings and improvements	932,607	-	-	932,607
Utility distribution systems	6,546,200	-	-	6,546,200
Water treatment plant	3,743,202	10,058	-	3,753,260
Equipment	803,480	26,417	(22,746)	807,151
Total capital assets being depreciated	12,025,489	36,475	(22,746)	12,039,218
Less accumulated depreciation for:				
Buildings and improvements	(878,929)	(18,632)	-	(897,561)
Utility distribution systems	(2,941,010)	(135,223)	-	(3,076,233)
Water treatment plant	(840,060)	(88,877)	-	(928,937)
Equipment	(686,293)	(28,469)	10,802	(703,960)
Total accumulated depreciation	(5,346,292)	(271,201)	10,802	(5,606,691)
Net capital assets being depreciated	6,679,197	(234,726)	(11,944)	6,432,527
Business-type activities capital assets, net	\$ 7,100,359	\$ (234,726)	\$ (11,944)	\$ 6,853,689

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 10,232
Public works	16,533
Infrastructure	2,692
Total depreciation expense - governmental activities	\$ 29,457
Business-type activities:	
Water	\$ 169,564
Sewer	101,637
Total depreciation expense - business-type activities	\$ 271,201

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

E. Long-Term Debt

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds as they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

General obligation bonds and notes outstanding at June 30, 2020 are as follows:

Description	Amount
\$1,125,000, 2010 General Obligation Bond; semi-annual interest payments at 3.20% to 4.08% and annual principal payments of \$10,000 to \$120,000; due in full October 1, 2021.	
Total General Obligation Debt	\$ 240,000

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2021	\$ 120,000	\$ 7,148
2022	120,000	2,451
Total	\$ 240,000	\$ 9,599

The bonds are collateralized by the revenues of the water and sewer funds. The covenants also contain certain provisions which require the Town of maintain revenues as defined in the covenants of at least 1.15 times annual total debt service. For fiscal year 2020, all revenue bond covenants were met.

The legal debt margin mandated by the Commonwealth of Virginia is \$8,865,756 which is computed based on 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

E. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2020 was as follows:

	6/30/2019	Additions	Retirements	6/30/2020	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,754	\$ 174	\$ -	\$ 3,928	\$ -
Unfunded pension liability	25,775	32,151	-	57,926	-
Rental deposit	3,900	-	-	3,900	-
Governmental activities long-term liabilities	<u>\$ 33,429</u>	<u>\$ 32,325</u>	<u>\$ -</u>	<u>\$ 65,754</u>	<u>\$ -</u>
Business-type activities:					
General obligation bonds	\$ 355,000	\$ -	\$ (115,000)	\$ 240,000	\$ 120,000
Compensated absences	3,754	174	-	3,928	-
Premiums on bonds	22,101	-	(7,367)	14,734	-
Unfunded pension liability	53,551	4,549	-	58,100	-
Business-type activities long-term liabilities	<u>\$ 434,406</u>	<u>\$ 4,723</u>	<u>\$ (122,367)</u>	<u>\$ 316,762</u>	<u>\$ 120,000</u>

Advance Refundings

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

F. Capital Contributions

Contributed capital for the water and sewer funds consists of funds received from developers, individuals, and other governmental units for use in aid of construction and support of the utility system. A summary of capital contributions collected during fiscal year 2020 follows:

Source of Capital	Fund		Total
	Water Fund	Sewer Fund	
Availability fees	\$ 18,100	\$ -	\$ 18,100

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk Management

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

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2020 the Town paid premiums of approximately \$3,166 to VMGSIA.

VMLP: The Town has general and excess liability, automobile, property, boiler and machinery, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2020, the Town paid contributions of approximately \$26,822 to the VMLP.

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

B. Segment Information - Enterprise Funds

The Town maintains two enterprise funds which provide water and sewer services. Selected segment information for the year ended June 30, 2020, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 370,389	\$ 512,906	\$ 883,295
Operating expenses	555,038	692,840	1,247,878
Net nonoperating revenues (expenses)	107,967	32,235	140,202
Capital contributions	18,100	-	18,100
Change in net position	(58,582)	(147,699)	(206,281)
Total assets	4,778,488	4,518,590	9,297,078
Bonds payable	216,000	24,000	240,000
Total net position	4,510,660	4,440,758	8,951,418

C. Surety Bonds

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-Employment Benefits Other Than Pension

All full-time, salaries permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Life Insurance Program is a defined benefit plan that provides basic group life insurance benefit for employees. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. During the year ended June 30, 2020, the Town contributed \$1,644 towards life insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2019, and this amount was allocated to each employer in the plan. The Town's portion of the net OPEB liability is \$25,000.

E. Defined Benefit Pension Plan

Plan Description

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

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

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2019
Participants	Number
Inactive members or their beneficiaries currently receiving benefits	<u>3</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	1
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	<u>12</u>
Active members	<u>1</u>
Total covered employees	<u><u>16</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2020 was 9.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$18,084 and \$33,748 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of Deaths are Assumed to be Service Related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 794,487	\$ 715,161	\$ 79,326
Changes for the year:			
Service cost	44,620	-	44,620
Interest	53,932	-	53,932
Changes in assumptions	23,238	-	23,238
Differences between expected and actual experience	6,514	-	6,514
Contributions - employer	-	28,972	(28,972)
Contributions - employee	-	15,264	(15,264)
Net investment income	-	47,860	(47,860)
Benefit payments, including refunds of employee contributions	(48,065)	(48,065)	-
Administrative expenses	-	(463)	463
Other changes	-	(30)	30
Net changes	<u>80,239</u>	<u>43,538</u>	<u>36,701</u>
Balances at June 30, 2019	<u>\$ 874,726</u>	<u>\$ 758,699</u>	<u>\$ 116,027</u>

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

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Current Discount Rate		
	(5.75%)	(6.75%)	(7.75%)
Town's Net Pension Liability	<u>\$ 215,857</u>	<u>\$ 116,027</u>	<u>\$ 35,790</u>

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$56,352. At June 30, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,282	\$ -
Change in assumptions	15,169	-
Net difference between projected and actual earnings on pension plan investments	-	6,030
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 23,451</u>	<u>\$ 6,030</u>

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

<u>Year ended June 30,</u>	<u>Amortization</u>
2021	\$ 14,255
2022	2,882
2023	(126)
2024	410
2025	-
Thereafter	-

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios:

Total pension liability	2019	2018	2017	2016	2015
Service cost	\$ 44,620	\$ 43,128	\$ 42,832	\$ 33,746	\$ 20,886
Interest	53,932	49,933	47,081	43,316	42,207
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	23,238	11,780	(1,458)	29,453	1,576
Changes in assumptions	6,514	-	2,860	-	-
Benefit payments, including refunds of employee contributions	(48,065)	(47,364)	(53,779)	(51,682)	(45,973)
Net change in total pension liability	80,239	57,477	37,536	54,833	18,696
Total pension liability - beginning	794,487	737,010	794,487	644,641	625,945
Total pension liability - ending (a)	\$ 874,726	\$ 794,487	\$ 832,023	\$ 699,474	\$ 644,641
Plan fiduciary net position					
Contributions - employer	\$ 28,972	\$ 26,357	\$ 25,759	\$ 24,799	\$ 21,749
Contributions - employee	15,264	14,857	14,520	13,793	12,097
Net investment income	47,860	49,514	73,569	10,573	27,142
Benefit payments, including refunds of employee contributions	(48,065)	(47,364)	(53,779)	(51,682)	(45,973)
Administrative expense	(463)	(423)	(428)	(386)	(378)
Other	(30)	(44)	(66)	(4)	(7)
Net change in total pension liability	43,538	42,897	59,575	(2,907)	14,630
Plan fiduciary net pension - beginning	715,161	672,264	715,161	615,596	600,966
Plan fiduciary net pension - ending (b)	\$ 758,699	\$ 715,161	\$ 774,736	\$ 612,689	\$ 615,596
Town's net pension liability - ending (a) - (b)	\$ 116,027	\$ 79,326	\$ 57,287	\$ 86,785	\$ 29,045
Plan fiduciary net position as a percentage of the total pension liability	86.74%	90.02%	93.11%	87.59%	95.49%
Covered-employee payroll	\$ 50,485	\$ 297,142	\$ 290,408	\$ 281,949	\$ 263,365
Town's net pension liability as a percentage of covered-employee payroll	229.82%	26.70%	19.73%	30.78%	11.03%

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2020	\$ 18,084	\$ 18,084	\$ -	\$ 50,485	35.82%
2019	33,748	33,748	-	297,142	11.36%
2018	30,495	30,495	-	290,408	10.50%
2017	29,822	29,822	-	281,949	10.58%
2016	34,635	34,635	-	263,365	13.15%

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2019	\$ 752,247	\$ 798,794	\$ 46,547	94.17%	\$ 50,485	92.20%
2018	709,352	800,575	91,223	88.61%	297,142	30.70%
2017	662,883	748,019	85,136	88.62%	290,408	29.32%
2016	624,810	698,111	73,301	89.50%	281,949	26.00%
2015	596,985	672,167	75,182	88.81%	263,365	28.55%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2019 are not material.

TOWN OF HAMILTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ending June 30, 2017:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

F. Post-Employment Benefits Other than Pensions

The Town pays 90% of health insurance coverage for eligible prior employees who were of service to the Town for 15 continuous years and retired at the age of 65. For fiscal year ended June 30, 2020, the Town paid \$4,341 towards retired employees' health insurance. The Town's portion of the OPEB liability is \$11,000.

G. Subsequent Events

The Town of Hamilton has evaluated events and transactions subsequent to June 30, 2020 through September 3, 2020, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2020 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2020.

TOWN OF HAMILTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues				
General Property Taxes				
Real and personal property taxes	\$ 250,807	\$ 250,807	\$ 260,305	\$ 9,498
Penalties and interest	1,200	1,200	2,401	1,201
Total General Property Taxes	252,007	252,007	262,706	10,699
Other Local Taxes				
Sales taxes	51,000	51,000	53,019	2,019
Motor vehicle licenses	12,000	12,000	12,883	883
Consumer utility tax	30,000	30,000	26,489	(3,511)
Total Other Local Taxes	93,000	93,000	92,391	(609)
Permits, Fees, and Licenses				
Zoning income	2,000	2,000	5,860	3,860
Business licenses	20,000	20,000	25,509	5,509
Total Permits, Fees and Licenses	22,000	22,000	31,369	9,369
Revenues from Use of Money and Property				
Interest on bank deposits	10,493	10,493	11,049	556
Real estate rental income	46,800	46,800	46,800	-
	57,293	57,293	57,849	556
Miscellaneous Revenue				
Donations	500	500	2,800	2,300
Park fees	2,000	2,000	1,200	(800)
Insurance reimbursement	-	-	3,889	3,889
Other	700	700	2,382	1,682
Total miscellaneous revenue	3,200	3,200	10,271	7,071
Intergovernmental				
Loudoun County - litter grant	1,000	1,000	1,021	21
VDOT grant	267,526	267,526	100,530	(166,996)
Other grants	8,750	8,750	8,750	-
Virginia personal property tax	23,496	23,496	23,496	-
Loudoun County - COVID Support	-	56,496	56,496	-
Total Intergovernmental	300,772	357,268	190,293	(166,975)
Total General Fund Revenues	\$ 728,272	\$ 784,768	\$ 644,879	\$ (139,889)

TOWN OF HAMILTON, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General Government				
Administration				
Permanent salaries	\$ 105,820	\$ 105,820	\$ 113,023	\$ (7,203)
Payroll taxes	7,826	7,826	8,465	(639)
Pension contribution	8,756	8,756	10,177	(1,421)
Worker's benefits	35,323	35,323	24,233	11,090
Audit	17,000	17,000	16,000	1,000
Legal fees	91,700	91,700	51,791	39,909
Advertising	5,200	5,200	5,001	199
Postage and printing	2,000	2,000	1,891	109
Telephone	5,300	5,300	5,478	(178)
Mayor and Town Council contingencies	1,000	1,000	4,181	(3,181)
Travel	400	400	711	(311)
General office expenses	9,200	9,200	10,702	(1,502)
Building and grounds				
Electricity	3,000	3,000	2,463	537
Maintenance	1,700	1,700	15,948	(14,248)
Mowing	14,000	14,000	10,036	3,964
Other expenses				
Engineering services	6,000	6,000	4,945	1,055
Insurance	18,141	18,141	18,156	(15)
Membership dues	882	882	978	(96)
Administrative contingencies	1,709	1,709	2,550	(841)
Recreation and activities	4,000	4,000	3,779	221
Planning commission	23,475	23,475	8,379	15,096
Computer/Software support	15,270	15,270	24,524	(9,254)
Bank charges and fees	2,000	2,000	2,667	(667)
COVID-19 costs	-	56,496	6,092	50,404
Total General Government	379,702	436,198	352,170	84,028
Public Safety Donations	2,000	2,000	2,000	-
Public Works				
Trash removal	46,000	46,000	51,493	(5,493)
Street lighting	6,000	6,000	6,249	(249)
Streets and sidewalks	749,930	749,930	509,263	240,667
Total Public Works	801,930	801,930	567,005	234,925
Total Expenditures Before Transfers	1,183,632	1,240,128	921,175	318,953
Other Financing Uses				
Transfers out (in)	-	-	-	-
Total General Fund Expenditures	\$ 1,183,632	\$ 1,240,128	\$ 921,175	\$ 318,953

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

**TOWN OF HAMILTON, VIRGINIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020**

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Assets			
Cash and cash equivalents	\$ 31,021	\$ 17,295	\$ 48,316
Total assets	<u>\$ 31,021</u>	<u>\$ 17,295</u>	<u>\$ 48,316</u>
Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for restricted use	31,021	17,295	48,316
Total liabilities and fund balance	<u>\$ 31,021</u>	<u>\$ 17,295</u>	<u>\$ 48,316</u>

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

TOWN OF HAMILTON, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue		
	Fire Programs Fund	Community Park Fund	Total
Revenues			
Intergovernmental	\$ 10,000	\$ -	\$ 10,000
Interest	6	3	9
Total revenues	<u>10,006</u>	<u>3</u>	<u>10,009</u>
Expenditures			
Public safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	10,006	3	10,009
Fund balances - beginning	<u>21,015</u>	<u>17,292</u>	<u>38,307</u>
Fund balances - ending	<u>\$ 31,021</u>	<u>\$ 17,295</u>	<u>\$ 48,316</u>

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses, Permits, and Fees	Rental and Interest	Miscellaneous	Inter- governmental	Total
2011	189,151	83,008	12,182	5,058	3,889	50,407	343,695
2012	182,947	86,679	8,245	4,904	45,415	38,470	366,660
2013	183,919	88,135	14,443	2,750	12,565	25,779	327,591
2014	194,100	77,177	22,283	1,631	2,642	55,957	353,790
2015	205,565	79,780	17,749	1,191	4,221	24,555	333,061
2016	218,516	86,461	16,652	19,809	5,462	44,567	391,467
2017	233,321	87,618	19,205	35,219	7,153	54,494	437,010
2018	236,015	89,236	22,472	51,777	6,093	632,778	1,038,371
2019	245,019	90,169	24,470	58,687	12,517	48,712	479,574
2020	262,706	92,391	31,369	57,849	10,271	190,293	644,879

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

Fiscal Year	General Government	Public Safety	Public Works	Debt Service	Total
2011	249,049	2,000	71,988	1,500	324,537
2012	248,916	2,000	49,381	1,500	301,797
2013	219,607	2,000	48,271	1,249	271,127
2014	248,337	2,000	79,030	-	329,367
2015	252,680	2,000	68,860	-	323,540
2016	1,012,866	2,000	68,736	-	1,083,602
2017	321,903	2,000	108,466	-	432,369
2018	463,218	2,000	110,203	-	575,421
2019	405,596	2,000	125,002	-	532,598
2020	352,170	2,000	567,005	-	921,175

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

Fiscal Year	Real Property	Personal Property	Public Utilities	Total
2011	60,548,900	3,191,216	2,197,168	65,937,284
2012	59,660,100	3,291,941	2,184,561	65,136,602
2013	60,129,870	3,479,651	2,001,322	65,610,843
2014	63,041,725	3,598,721	2,083,476	68,723,922
2015	67,777,185	3,655,809	1,996,556	73,429,550
2016	72,309,625	3,784,829	2,177,860	78,272,314
2017	74,946,680	4,328,025	2,226,595	81,501,300
2018	79,250,670	3,752,630	2,226,595	85,229,895
2019	82,109,025	4,080,901	2,276,882	88,466,808
2020	86,235,025	4,075,618	3,153,805	93,464,448

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

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

**TOWN OF HAMILTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2020**

Assessed value of taxable real property	<u>\$ 88,657,560</u>
Debt limit (10% of assessed value)	8,865,756
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 8,865,756</u>

Section 15.1-176 of 1950 Code of Virginia, as amended, limits to 10% of the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia (formerly Clause (B) of Section 127 of the Constitution of Virginia). This exclusion applies to the 2010 bond obligation.

Assessed value is as of January 1, 2020 and excludes real property owned by public service corporations.