

TOWN OF HAYMARKET, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

TOWN OF HAYMARKET, VIRGINIA

TOWN COUNCIL

David Leake, Mayor

Jay Tobias, Vice-Mayor

Rebecca Bare

Katherine Harnest

Mary Lou Scarbrough

Milt Kenworthy

Steve Aitken

OFFICIALS

Gene Swearingen, Town Manager

Jennifer Preli, Town Clerk

TOWN OF HAYMARKET, VIRGINIA

Financial Report
Year Ended June 30, 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
<u>Basic Financial Statements</u>	
<i><u>Government-wide Financial Statements</u></i>	
Exhibit 1 Statement of Net Assets	8
Exhibit 2 Statement of Activities	9-10
<i><u>Fund Financial Statements</u></i>	
Exhibit 3 Balance Sheet—Governmental Funds	11
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	13
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Exhibit 7 Statement of Net Assets—Proprietary Fund	15
Exhibit 8 Statement of Revenues, Expense and Changes in Net Assets—Proprietary Fund	16
Exhibit 9 Statement of Cash Flows—Proprietary Fund	17
Notes to Financial Statements	18-33

TOWN OF HAYMARKET, VIRGINIA

Financial Report
Year Ended June 30, 2012

Table of Contents (Continued)

	<u>Page</u>
<i><u>Required Supplementary Information</u></i>	
Exhibit 10 General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	34
Exhibit 11 Schedule of Pension Funding Progress for the Virginia Retirement System	35
<i><u>Other Supplementary Information</u></i>	
Exhibit 12 Capital Improvement Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	36
<i><u>Supporting Schedules</u></i>	
Schedule 1 Schedule of Revenues - Budget and Actual-Governmental Funds	37-38
Schedule 2 Schedule of Expenditures - Budget and Actual-Governmental Funds	39-40
<i><u>Compliance:</u></i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF HAYMARKET, VIRGINIA
HAYMARKET, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haymarket, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Haymarket, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haymarket, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the Town of Haymarket, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of the Town of Haymarket, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedule of pension funding progress in accordance with auditing standards general 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 on the limited procedures or provide any assurance on the management's discussion and analysis and schedule of pension funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haymarket, Virginia's financial statements as a whole. The supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Capital Improvement Fund budgetary schedule and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Haymarket, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,931,903 (net assets). Of this amount \$1,803,669 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's funds reported combined ending fund balances of \$1,827,468, an increase of \$89,668 in comparison with the prior year. Approximately forty-four percent of this total amount, \$810,205 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased \$122,404 during the current fiscal year.

Overview of the Financial Statements

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

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

This report also contains 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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Overview of the Financial Statements: (Continued)

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Haymarket, Virginia, like other 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 - the 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 statement, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Proprietary funds - The Town maintains one proprietary fund - the Town Hall Properties Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

Overview of the Financial Statements: (Continued)

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$3,931,903 at the close of the most recent fiscal year.

Town of Haymarket, Virginia's, Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,942,218	\$ 1,804,266	\$ 19,753	\$ 608,069	\$ 1,961,971	\$ 2,412,335
Capital assets	<u>2,686,893</u>	<u>2,588,193</u>	<u>1,423,467</u>	<u>674,815</u>	<u>4,110,360</u>	<u>3,263,008</u>
Total assets	<u>\$ 4,629,111</u>	<u>\$ 4,392,459</u>	<u>\$ 1,443,220</u>	<u>\$ 1,282,884</u>	<u>\$ 6,072,331</u>	<u>\$ 5,675,343</u>
Current liabilities	\$ 219,037	\$ 170,193	\$ 84,842	\$ 89,569	\$ 303,879	\$ 259,762
Long-term liabilities outstanding	<u>1,012,946</u>	<u>1,075,222</u>	<u>823,603</u>	<u>881,408</u>	<u>1,836,549</u>	<u>1,956,630</u>
Total liabilities	<u>\$ 1,231,983</u>	<u>\$ 1,245,415</u>	<u>\$ 908,445</u>	<u>\$ 970,977</u>	<u>\$ 2,140,428</u>	<u>\$ 2,216,392</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 1,586,175	\$ 1,420,300	\$ 542,059	\$ 338,178	\$ 2,128,234	\$ 1,758,478
Unrestricted	<u>1,810,953</u>	<u>1,726,744</u>	<u>(7,284)</u>	<u>(26,271)</u>	<u>1,803,669</u>	<u>1,700,473</u>
Total net assets	<u>\$ 3,397,128</u>	<u>\$ 3,147,044</u>	<u>\$ 534,775</u>	<u>\$ 311,907</u>	<u>\$ 3,931,903</u>	<u>\$ 3,458,951</u>

A large part of the Town's net assets, 2,128,234 or (54%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased the Town's net assets by \$250,084 while proprietary activities increased assets by \$311,907. Key elements of these changes are as follows:

Town of Haymarket, Virginia's Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 195,488.00	\$ 153,459.00	\$ 251,795.00	\$ 206,632.00	\$ 447,283.00	\$ 360,091.00
Operating grants and contributions	56,252.00	54,786.00	-	-	56,252.00	54,786.00
Capital grants and contributions	110,990.00	101,605.00	-	-	110,990.00	101,605.00
General revenues:						
General property taxes	170,546.00	320,946.00	-	-	170,546.00	320,946.00
Other local taxes	1,126,255.00	946,555.00	-	-	1,126,255.00	946,555.00
Grants and contributions not restricted to specific programs	146,199.00	152,986.00	-	-	146,199.00	152,986.00
Other general revenues	39,231.00	12,820.00	-	-	39,231.00	12,820.00
Total revenues	\$ 1,844,961.00	\$ 1,743,157.00	\$ 251,795.00	\$ 206,632.00	\$ 2,096,756.00	\$ 1,949,789.00
Expenses:						
General government administration	\$ 492,697.00	\$ 479,041.00	\$ -	\$ -	\$ 492,697.00	\$ 479,041.00
Public safety	605,960.00	478,824.00	-	-	605,960.00	478,824.00
Public works	327,533.00	286,544.00	-	-	327,533.00	286,544.00
Cultural	42,294.00	67,361.00	-	-	42,294.00	67,361.00
Interest and other fiscal charges	39,994.00	42,335.00	-	-	39,994.00	42,335.00
Town Hall Properties	-	-	115,326.00	91,592.00	115,326.00	91,592.00
Total expenses	\$ 1,508,478.00	\$ 1,354,105.00	\$ 115,326.00	\$ 91,592.00	\$ 1,623,804.00	\$ 1,445,697.00
Increase in net assets before transfers	\$ 336,483.00	\$ 389,052.00	\$ 136,469.00	\$ 115,040.00	\$ 472,952.00	\$ 504,092.00
Transfers	(86,399.00)	61,327.00	86,399.00	(61,327.00)	-	-
Increase in net assets	\$ 250,084.00	\$ 450,379.00	\$ 222,868.00	\$ 53,713.00	\$ 472,952.00	\$ 504,092.00
Net assets, July 1, 2011	3,147,044.00	2,696,665.00	311,907.00	258,194.00	3,458,951.00	2,954,859.00
Net assets, June 30, 2012	\$ 3,397,128.00	\$ 3,147,044.00	\$ 534,775.00	\$ 311,907.00	\$ 3,931,903.00	\$ 3,458,951.00

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,827,468 an increase of \$89,668 in comparison with the prior year. A large part of this total amount, \$810,205 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance totals \$810,205 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$1,879,949 in revenues during the year, which was \$349,250 more than budgeted (reference Exhibit 10). The Town's General Fund expended \$1,676,199 during the year, which was \$31,325 less than budgeted (reference Exhibit 10).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2012 totals \$2,686,893 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and machinery and equipment. The Town's investment in governmental capital assets for the current fiscal year compared to the prior year total of \$2,588,193 results in an increase of \$98,700. This increase is due primarily to current year additions exceeding current year depreciation expense.

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

Debt

During the year the Town's debt decreased \$122,404 as it repaid principal on general obligation debt in the General Fund, (\$148,629). Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in the notes to the financial statements.

Contact The Town's Financial Management

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

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,686,338	\$ -	\$ 1,686,338
Receivables, net of allowance for uncollectibles	248,455	14,289	262,744
Bond issuance costs	7,425	5,464	12,889
Capital assets:			
Land	1,168,492	600,000	1,768,492
Other capital assets, net of accumulated depreciation	1,518,401	823,467	2,341,868
Capital assets, net	\$ 2,686,893	\$ 1,423,467	\$ 4,110,360
Total assets	\$ 4,629,111	\$ 1,443,220	\$ 6,072,331
Liabilities:			
Accounts payable	\$ 81,363	\$ -	\$ 81,363
Accrued payroll	25,962	-	25,962
Deposits	-	27,037	27,037
Long-term liabilities:			
Due within one year	111,712	57,805	169,517
Due in more than one year	1,012,946	823,603	1,836,549
Total liabilities	\$ 1,231,983	\$ 908,445	\$ 2,140,428
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,586,175	\$ 542,059	\$ 2,128,234
Unrestricted	1,810,953	(7,284)	1,803,669
Total net assets	\$ 3,397,128	\$ 534,775	\$ 3,931,903

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

TOWN OF HAYMARKET, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 492,697	\$ -	\$ -	\$ -
Public safety	605,960	91,796	55,252	-
Public works	327,533	103,692	1,000	110,990
Cultural	42,294	-	-	-
Interest on long-term debt	39,994	-	-	-
Total governmental activities	<u>\$ 1,508,478</u>	<u>\$ 195,488</u>	<u>\$ 56,252</u>	<u>\$ 110,990</u>
Business-type activities:				
Town Hall Properties	\$ 115,326	\$ 251,795	\$ -	\$ -
Total business-type activities	<u>\$ 115,326</u>	<u>\$ 251,795</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,623,804</u>	<u>\$ 447,283</u>	<u>\$ 56,252</u>	<u>\$ 110,990</u>

General Revenues and transfers:

General property taxes
Meals taxes
Cigarette taxes
Business license taxes
Consumer utility taxes
Other local taxes
Unrestricted revenues from the use of money and property
Grants and contributions not restricted to specific programs
Miscellaneous
Transfers
Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (492,697)	\$ -	\$ (492,697)
(458,912)	-	(458,912)
(111,851)	-	(111,851)
(42,294)	-	(42,294)
(39,994)	-	(39,994)
<u>\$ (1,145,748)</u>	<u>\$ -</u>	<u>\$ (1,145,748)</u>
<u>\$ -</u>	<u>\$ 136,469</u>	<u>\$ 136,469</u>
<u>\$ -</u>	<u>\$ 136,469</u>	<u>\$ 136,469</u>
<u>\$ (1,145,748)</u>	<u>\$ 136,469</u>	<u>\$ (1,009,279)</u>
\$ 170,546	\$ -	\$ 170,546
459,541	-	459,541
267,796	-	267,796
178,590	-	178,590
112,243	-	112,243
108,085	-	108,085
6,562	-	6,562
146,199	-	146,199
32,669	-	32,669
(86,399)	86,399	-
<u>\$ 1,395,832</u>	<u>\$ 86,399</u>	<u>\$ 1,482,231</u>
\$ 250,084	\$ 222,868	\$ 472,952
<u>3,147,044</u>	<u>311,907</u>	<u>3,458,951</u>
<u>\$ 3,397,128</u>	<u>\$ 534,775</u>	<u>\$ 3,931,903</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2012

	<u>General</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,086,364	\$ 599,974	\$ 1,686,338
Receivables (net of allowance for uncollectibles):			
Taxes including penalties	18,492	-	18,492
Accounts	<u>131,992</u>	<u>97,971</u>	<u>229,963</u>
Total assets	<u>\$ 1,236,848</u>	<u>\$ 697,945</u>	<u>\$ 1,934,793</u>
Liabilities:			
Accounts payable	\$ 39,033	\$ 42,330	\$ 81,363
Accrued payroll	<u>25,962</u>	<u>-</u>	<u>25,962</u>
Total liabilities	<u>\$ 64,995</u>	<u>\$ 42,330</u>	<u>\$ 107,325</u>
Fund Balance:			
Committed to:			
Hulfish House improvements	\$ 33,093	\$ -	\$ 33,093
Old Post Office renovations	128,443	-	128,443
Assigned to:			
Proffers - Alexandras Keep	200,112	-	200,112
Capital projects	-	655,615	655,615
Unassigned	<u>810,205</u>	<u>-</u>	<u>810,205</u>
Total fund balance	<u>\$ 1,171,853</u>	<u>\$ 655,615</u>	<u>\$ 1,827,468</u>
Total liabilities and fund balance	<u>\$ 1,236,848</u>	<u>\$ 697,945</u>	<u>\$ 1,934,793</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2012

Total fund balances for governmental funds (Exhibit 3) \$ 1,827,468

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

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

Land	\$	1,168,492	
Depreciable capital assets, net of accumulated depreciation		<u>1,518,401</u>	2,686,893

Issuance costs related to long-term liabilities 7,425

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

Bonds payable	\$	(1,050,000)	
Capital leases		(50,718)	
Accrued leave		<u>(23,940)</u>	<u>(1,124,658)</u>

Total net assets of governmental activities \$ 3,397,128

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

Statement of Revenues, Expenditures and Changes In Fund Balances

Governmental Funds

Year Ended June 30, 2012

	General	Capital Improvements	Total Governmental Funds
Revenues:			
General property taxes	\$ 320,546	\$ -	\$ 320,546
Other local taxes	1,126,255	-	1,126,255
Permits, privilege fees and regulatory licenses	103,692	-	103,692
Revenue from use of money and property	2,540	4,022	6,562
Charges for services	91,796	-	91,796
Miscellaneous	32,669	-	32,669
Intergovernmental revenues:			
Commonwealth	186,292	110,990	297,282
Federal	16,159	-	16,159
Total revenues	\$ 1,879,949	\$ 115,012	\$ 1,994,961
Expenditures:			
Current:			
General government administration	\$ 489,074	\$ -	\$ 489,074
Public safety	605,046	-	605,046
Public works	229,511	-	229,511
Cultural	33,546	-	33,546
Capital outlay	-	205,108	205,108
Debt service:			
Principal retirement	129,588	-	129,588
Interest and fiscal charges	39,434	-	39,434
Non-departmental	150,000	-	150,000
Total expenditures	\$ 1,676,199	\$ 205,108	\$ 1,881,307
Excess (deficiency) of revenues over expenditures	\$ 203,750	\$ (90,096)	\$ 113,654
Other financing sources (uses):			
Issuance of capital leases	\$ 62,413	\$ -	\$ 62,413
Transfers in	-	91,136	91,136
Transfers (out)	(177,535)	-	(177,535)
Total other financing sources (uses)	\$ (115,122)	\$ 91,136	\$ (23,986)
Changes in fund balances	\$ 88,628	\$ 1,040	\$ 89,668
Fund balances at beginning of year	1,083,225	654,575	1,737,800
Fund balances at end of year	\$ 1,171,853	\$ 655,615	\$ 1,827,468

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit 5) \$ 89,668

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 98,700

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

Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	\$ 75,000	
Principal retired on capital leases	<u>54,588</u>	67,175

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Amortization of bond issuance costs	\$ (560)	
Change in accrued leave	<u>(4,899)</u>	<u>(5,459)</u>
Change in net assets of governmental activities	\$	<u><u>250,084</u></u>

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

Statement of Net Assets
 Proprietary Fund
 At June 30, 2012

	<u>Town Hall Properties</u>
Assets:	
Current assets:	
Accounts Receivable	\$ 14,289
Noncurrent assets:	
Capital assets, net of accumulated depreciation	\$ 1,423,467
Bond issuance costs	5,464
Total noncurrent assets	\$ 1,428,931
Total assets	\$ 1,443,220
Liabilities:	
Current liabilities:	
Security deposits	\$ 27,037
Current portion of long-term obligations	57,805
Total current liabilities	\$ 84,842
Noncurrent portion of long-term obligations	823,603
Total liabilities	\$ 908,445
Net Assets:	
Invested in capital assets, net of related debt	\$ 542,059
Unrestricted	(7,284)
Total net assets	\$ 534,775

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

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund
 Year Ended June 30, 2012

	<u>Town Hall Properties</u>
Operating revenues:	
Rental fees	\$ <u>251,795</u>
Operating expenses:	
Contractual services	\$ 22,459
Other charges	10,448
Depreciation and amortization	<u>40,277</u>
Total operating expenses	\$ <u>73,184</u>
Operating income/(loss)	\$ <u>178,611</u>
Nonoperating revenues (expenses):	
Interest expense	\$ <u>(42,142)</u>
Income before transfers	136,469
Transfers:	
Transfers in	\$ <u>86,399</u>
Change in net assets	\$ 222,868
Net assets, beginning of year	<u>311,907</u>
Net assets, end of year	<u><u>\$ 534,775</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2012

	<u>Town Hall Properties</u>
Cash flows from operating activities:	
Rental fee receipts	\$ 236,095
Payments to suppliers	(36,659)
Net cash provided (used) by operating activities	<u>\$ 199,436</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (188,464)
Retirements of general obligation bonds	(55,229)
Interest expense	(42,142)
Net cash provided (used) by capital and related financing activities	<u>\$ (285,835)</u>
Cash flows from noncapital and related financing activities:	
Net transfers from (to) other funds	<u>\$ 86,399</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents at beginning of year	<u>\$ -</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 178,611
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	40,277
Changes in operating accounts:	
Accounts receivable	(12,149)
Accounts payable and accrued liabilities	(3,752)
Security deposits	(3,551)
Net cash provided (used) by operating activities	<u><u>\$ 199,436</u></u>

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements As of June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

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

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

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

A. Financial Reporting Entity

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

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

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

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Financial Reporting Entity: (Continued)

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

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

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The following is a brief description of the specific funds used by the Town in FY 2012.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

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

Capital Improvements - The Capital Improvements Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds. The Town's Capital Improvements Fund is considered a major fund.

2. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and cash flows. Proprietary Funds consist of the Town Hall Properties enterprise fund.

C. Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Basis of Accounting: (Continued)

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

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

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

D. Budgets and Budgetary Accounting

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

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

E. Cash and Cash Equivalents

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

F. 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. Receivables and Payables: (Continued)

outstanding between the governmental activities and business-type are reported in the government-wide financial statements as “internal balances.”

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.

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,924 at June 30, 2012 and is comprised solely of general and capital improvement receivables.

H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements.

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

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

I. Use of Estimates

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

J. Accrued Leave

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

K. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Government 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K. Fund Equity: (Continued)

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

NOTE 2—PROPERTY TAXES RECEIVABLE:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The Town bills and collects its own property taxes. The Town does not record an allowance for uncollectible receivables as all receivables are deemed collectible.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 3—DEPOSITS:

Deposits:

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

NOTE 4—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ -	\$ 177,535
Capital improvements fund	91,136	-
Town Hall Properties fund	<u>86,399</u>	<u>-</u>
Total	<u>\$ 177,535</u>	<u>\$ 177,535</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgeting authorization.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 5—CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 1,168,492	\$ -	\$ -	\$ 1,168,492
Other capital assets:				
Buildings and improvements	\$ 545,687	\$ -	\$ -	\$ 545,687
Infrastructure assets	927,427	138,000	-	1,065,427
Historic museum	292,852	-	-	292,852
Police vehicles	168,281	30,516	-	198,797
Equipment	166,988	7,400	-	174,388
Total other capital assets	<u>\$ 2,101,235</u>	<u>\$ 175,916</u>	<u>\$ -</u>	<u>\$ 2,277,151</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 83,843	\$ 15,276	\$ -	\$ 99,119
Infrastructure assets	264,973	30,914	-	295,887
Historic museum	70,130	8,748	-	78,878
Police vehicles	127,315	13,830	-	141,145
Equipment	135,273	8,448	-	143,721
Total accumulated depreciation	<u>\$ 681,534</u>	<u>\$ 77,216</u>	<u>\$ -</u>	<u>\$ 758,750</u>
Other capital assets, net	<u>\$ 1,419,701</u>	<u>\$ 98,700</u>	<u>\$ -</u>	<u>\$ 1,518,401</u>
Net capital assets	<u>\$ 2,588,193</u>	<u>\$ 98,700</u>	<u>\$ -</u>	<u>\$ 2,686,893</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 12,285		
Public safety		25,269		
Public works		30,914		
Cultural		<u>8,748</u>		
Total depreciation expense		<u>\$ 77,216</u>		

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-Type Activities:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Construction in progress	-	188,464	-	188,464
Total capital assets not being depreciated	<u>\$ 600,000</u>	<u>\$ 188,464</u>	<u>\$ -</u>	<u>\$ 788,464</u>
Other capital assets:				
Buildings	\$ 650,000	\$ -	\$ -	\$ 650,000
Building improvements	353,431	-	-	353,431
Total other capital assets	<u>\$ 1,003,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,431</u>
Less: Accumulated depreciation for:				
Buildings	\$ 181,458	\$ 16,250	\$ -	\$ 197,708
Building improvements	147,158	23,562	-	170,720
Total accumulated depreciation	<u>\$ 328,616</u>	<u>\$ 39,812</u>	<u>\$ -</u>	<u>\$ 368,428</u>
Other capital assets, net	<u>\$ 674,815</u>	<u>\$ (39,812)</u>	<u>\$ -</u>	<u>\$ 635,003</u>
Net capital assets	<u>\$ 1,274,815</u>	<u>\$ 148,652</u>	<u>\$ -</u>	<u>\$ 1,423,467</u>
Depreciation expense has been allocated as follows:				
Town Hall Properties		<u>\$ 39,812</u>		

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2012:

	Amounts Payable July 1, 2011	Increases	Decreases	Amounts Payable June 30, 2012	Amounts Due Within One Year
Governmental Obligations:					
General obligation bonds	\$ 1,125,000	\$ -	\$ 75,000	\$ 1,050,000	\$ 75,000
Accrued leave	19,041	23,940	19,041	23,940	23,940
Capital lease obligations	42,893	62,413	54,588	50,718	20,536
Total Governmental Obligations	<u>\$ 1,186,934</u>	<u>\$ 86,353</u>	<u>\$ 148,629</u>	<u>\$ 1,124,658</u>	<u>\$ 119,476</u>
Enterprise Obligations:					
General obligation bonds	\$ 936,637	\$ -	\$ 55,229	\$ 881,408	\$ 57,805
Total Long-Term Obligations	<u>\$ 2,123,571</u>	<u>\$ 86,353</u>	<u>\$ 203,858</u>	<u>\$ 2,006,066</u>	<u>\$ 177,281</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Year Ending June 30,	Town Obligations				Enterprise Obligations	
	General Obligation Bonds		Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 75,000	\$ 38,458	\$ 20,536	\$ 1,258	\$ 57,805	\$ 39,547
2014	75,000	35,556	21,170	625	60,507	36,845
2015	75,000	32,653	9,012	69	63,342	34,011
2016	75,000	29,751	-	-	66,315	31,038
2017	75,000	26,848	-	-	69,434	27,919
2018	75,000	23,946	-	-	72,707	24,646
2019	75,000	21,043	-	-	76,141	21,211
2020	75,000	18,141	-	-	79,746	17,607
2021	75,000	15,238	-	-	83,528	13,824
2022	75,000	12,336	-	-	87,499	9,853
2023	75,000	9,433	-	-	91,668	5,685
2024	75,000	6,531	-	-	72,716	1,403
2025	75,000	3,628	-	-	-	-
2026	75,000	726	-	-	-	-
Total	\$ <u>1,050,000</u>	\$ <u>274,288</u>	\$ <u>50,718</u>	\$ <u>1,952</u>	\$ <u>881,408</u>	\$ <u>263,589</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Incurring by Town:

General Obligation Bonds:

\$4,145,000 payable in monthly interest installments ranging from \$4,838 to \$242 beginning October 14, 2005 through September 14, 2025 and annual principal installments of \$75,000 beginning September 14, 2006 through September 14, 2025, interest payable at 4.00%

\$ 1,050,000

Capital Lease Obligations:

The Town has entered into a lease agreement as lessee for financing the acquisition of two police cruisers. The police cruisers cost \$127,000 and were acquired with lease financing. Details of these leases are as follows:

\$62,413 obligation for the purchase of three police cruisers, payable in monthly installments of \$1,816 through November 16, 2014, interest at 3.00%

\$ 50,718

Accrued Leave

\$ 23,940

Total governmental obligations

\$ 1,124,658

Enterprise Obligations:

General Obligation Bonds:

\$262,568 capital-related general obligation series 2004A bonds maturing in monthly installments of \$1,564 through March 18, 2024, interest payable monthly at 3.80%

\$ 177,897

\$372,426 capital-related general obligation series 2004B bonds maturing in monthly installments of \$2,670 through March 18, 2024, interest payable monthly at 6.10%

270,265

\$634,131 capital-related general obligation series 2004C bonds maturing in monthly installments of \$3,859 through March 18, 2024, interest payable monthly at 4.05%

433,246

Total general obligation bonds

\$ 881,408

Total enterprise obligations

\$ 881,408

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 7—CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$23,940 in the General Fund.

NOTE 8—RETIREMENT PLAN:

A. Plan Description

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

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

VRS administers two defined plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's average final compensation multiplied by

NOTE 8—RETIREMENT PLAN: (CONTINUED)

A. Plan Description: (Continued)

the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 7.84% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, Town's annual pension cost of \$35,501 was equal to the Town's required and actual contributions.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 8—RETIREMENT PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

<u>Fiscal Year Ending</u>	<u>Three Year Trend Information</u>		
	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Town:			
June 30, 2012	\$ 35,501	100%	\$ -
June 30, 2011	13,828	100%	-
June 30, 2010	N/A	N/A	-

(1) Employer portion only

The required contributions were determined as a part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis.

D. Funding Status and Funding Programs:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$0 and the actuarial value of assets was \$22,710 resulting in an unfunded actuarial accrued liability (UAAL) of (\$22,710). The covered payroll (annual payroll of active employees covered by the plan) was \$415,407 and ratio of the UAAL to the covered payroll was (5.47%).

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

NOTE 9—CONTINGENT LIABILITIES:

At June 30, 2012 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 10—OPERATING LEASES:

Lease Revenue: The Town leases certain commercial buildings and office suites in its Town Hall Properties, which is considered a business-type activity. The non-cancelable operating lease agreements expire at various times throughout the fiscal years ending June 30, 2013 and 2014. Most of the leases are for one year with annual renewals of two to five years from inception. Rental income from these non-cancelable operating leases was approximately \$251,795 for the fiscal year ended June 30, 2012. The approximate future minimum lease rentals to be received by the Town's business-type activities are as follows for the fiscal years ending June 30:

Business-Type Activities	
Year ending June 30:	
2013	\$ 114,162
2014	<u>53,786</u>
	<u>\$ 167,948</u>

Required Supplementary Information

Note to Required Supplementary Information:

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

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 324,815	\$ 324,815	\$ 320,546	\$ (4,269)
Other local taxes	875,198	875,198	1,126,255	251,057
Permits, privilege fees and regulatory licenses	45,552	45,552	103,692	58,140
Revenue from use of money and property	8,950	8,950	2,540	(6,410)
Charges for services	85,607	85,607	91,796	6,189
Miscellaneous	-	-	32,669	32,669
Intergovernmental revenues:				
Commonwealth	177,041	177,041	186,292	9,251
Federal	13,536	13,536	16,159	2,623
Total revenues	\$ 1,530,699	\$ 1,530,699	\$ 1,879,949	\$ 349,250
Expenditures				
Current:				
General government administration	\$ 546,025	\$ 548,700	\$ 489,074	\$ 59,626
Public safety	539,587	548,087	605,046	(56,959)
Public works	231,308	269,955	229,511	40,444
Cultural	35,070	50,070	33,546	16,524
Debt service:				
Principal retirement	129,588	129,588	129,588	-
Interest and fiscal charges	11,124	11,124	39,434	(28,310)
Non-departmental	-	150,000	150,000	-
Total expenditures	\$ 1,492,702	\$ 1,707,524	\$ 1,676,199	\$ 31,325
Excess (deficiency) of revenues over expenditures	\$ 37,997	\$ (176,825)	\$ 203,750	\$ 380,575
Other financing sources (uses):				
Issuance of capital leases	\$ -	\$ -	\$ 62,413	\$ 62,413
Transfers (out)	-	-	(177,535)	(177,535)
Total other financing sources (uses)	\$ -	\$ -	\$ (115,122)	\$ (115,122)
Changes in fund balances	\$ 37,997	\$ (176,825)	\$ 88,628	\$ 265,453
Fund balances at beginning of year	(37,997)	176,825	1,083,225	906,400
Fund balances at end of year	\$ -	\$ -	\$ 1,171,853	\$ 1,171,853

Virginia Retirement System
 Public Employees Retirement System
 Schedule of Funding Progress

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	22,710	-	(22,710)	100.00%	415,407	-5.47%

Other Supplementary Information

Capital Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from use of money and property	\$ 2,750	\$ 2,750	\$ 4,022	\$ 1,272
Intergovernmental revenues:				
Commonwealth	400,000	400,000	110,990	(289,010)
Total revenues	<u>\$ 402,750</u>	<u>\$ 402,750</u>	<u>\$ 115,012</u>	<u>\$ (287,738)</u>
Expenditures				
Current:				
Capital outlay	\$ 1,005,000	\$ 891,353	\$ 205,108	\$ 686,245
Total expenditures	<u>\$ 1,005,000</u>	<u>\$ 891,353</u>	<u>\$ 205,108</u>	<u>\$ 686,245</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (602,250)</u>	<u>\$ (488,603)</u>	<u>\$ (90,096)</u>	<u>\$ 398,507</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 91,136	\$ 91,136
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,136</u>	<u>\$ 91,136</u>
Changes in fund balances	\$ (602,250)	\$ (488,603)	\$ 1,040	\$ 489,643
Fund balances at beginning of year	<u>602,250</u>	<u>488,603</u>	<u>654,575</u>	<u>165,972</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 655,615</u></u>	<u><u>\$ 655,615</u></u>

Supporting Schedules

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 280,215	\$ 280,215	\$ 275,352	\$ (4,863)
Public service corporation taxes:				
Real property	13,300	13,300	9,119	(4,181)
Business personal property taxes	30,000	30,000	24,653	(5,347)
Penalties and interest	1,300	1,300	11,422	10,122
Total general property taxes	<u>\$ 324,815</u>	<u>\$ 324,815</u>	<u>\$ 320,546</u>	<u>\$ (4,269)</u>
Other local taxes:				
Local sales and use taxes	\$ 82,000	\$ 82,000	\$ 89,313	\$ 7,313
Cigarette tax	143,277	143,277	267,796	124,519
Business license tax	133,400	133,400	178,590	45,190
Bank franchise taxes	13,250	13,250	17,887	4,637
Consumer utility tax - electric	87,866	87,866	112,243	24,377
Meals tax	415,000	415,000	459,541	44,541
Motor vehicle licenses	405	405	885	480
Total other local taxes	<u>\$ 875,198</u>	<u>\$ 875,198</u>	<u>\$ 1,126,255</u>	<u>\$ 251,057</u>
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 10,000	\$ 10,000	\$ 3,100	\$ (6,900)
Inspections	12,400	12,400	40,385	27,985
Occupancy permits	140	140	1,000	860
Other planning and permits	23,012	23,012	59,207	36,195
Total permits, privilege fees and regulatory licenses	<u>\$ 45,552</u>	<u>\$ 45,552</u>	<u>\$ 103,692</u>	<u>\$ 58,140</u>
Revenue from use of money and property:				
Interest on bank deposits	\$ 8,950	\$ 8,950	\$ 2,540	\$ (6,410)
Charges for services:				
Haymarket Day Booth and Sponsor Fees	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Public safety fees	70,607	70,607	91,796	21,189
Total charges for services	<u>\$ 85,607</u>	<u>\$ 85,607</u>	<u>\$ 91,796</u>	<u>\$ 6,189</u>
Miscellaneous revenue:				
Miscellaneous income	\$ -	\$ -	\$ 32,669	\$ 32,669
Total revenue from local sources	<u>\$ 1,340,122</u>	<u>\$ 1,340,122</u>	<u>\$ 1,677,498</u>	<u>\$ 337,376</u>

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<u>General Fund: (Continued)</u>				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,627	\$ 18,627	\$ 18,627	\$ -
Telecommunications tax	126,134	126,134	126,134	-
Rolling stock tax	1,316	1,316	1,438	122
Total non-categorical aid	<u>\$ 146,077</u>	<u>\$ 146,077</u>	<u>\$ 146,199</u>	<u>\$ 122</u>
Categorical aid:				
Law enforcement grant	\$ 23,764	\$ 23,764	\$ 28,368	\$ 4,604
DEQ grants	-	-	1,000	1,000
Fire funds	7,200	7,200	7,200	-
Other state funds	-	-	3,525	3,525
Total Categorical aid	<u>\$ 30,964</u>	<u>\$ 30,964</u>	<u>\$ 40,093</u>	<u>\$ 9,129</u>
Total revenue from the Commonwealth	<u>\$ 177,041</u>	<u>\$ 177,041</u>	<u>\$ 186,292</u>	<u>\$ 9,251</u>
Revenue from the federal government:				
Categorical aid:				
Law enforcement grant	\$ 13,536	\$ 13,536	\$ 16,159	\$ 2,623
Total General Fund	<u>\$ 1,530,699</u>	<u>\$ 1,530,699</u>	<u>\$ 1,879,949</u>	<u>\$ 349,250</u>
<u>Capital Improvements Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on bank deposits	\$ 2,750	\$ 2,750	\$ 4,022	\$ 1,272
Revenue from the Commonwealth:				
Categorical aid:				
VDOT ISTEА/SАFETY-LU grant	\$ 400,000	\$ 400,000	\$ 110,990	\$ (289,010)
Total Capital Improvements Funds	<u>\$ 402,750</u>	<u>\$ 402,750</u>	<u>\$ 115,012</u>	<u>\$ (287,738)</u>
Grand Total All Governmental Funds	<u>\$ 1,933,449</u>	<u>\$ 1,933,449</u>	<u>\$ 1,994,961</u>	<u>\$ 61,512</u>

GOVERNMENTAL FUNDS

Schedule of Expenditures--Budget and Actual
Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
General Government Administration:				
Mayor and Town Council	\$ 43,000	\$ 43,000	\$ 27,815	\$ 15,185
Salary - general	170,252	170,252	184,409	(14,157)
Payroll taxes	14,851	14,851	19,928	(5,077)
Advertising	7,000	7,000	418	6,582
Utilities	18,000	20,675	26,803	(6,128)
Retirement	13,737	13,737	13,274	463
Insurance	41,500	41,500	29,117	12,383
Audit and legal	61,500	61,500	49,462	12,038
Professional services	53,300	53,300	27,204	26,096
Cigarette tax administration	7,000	7,000	7,746	(746)
Miscellaneous	7,562	7,562	6,055	1,507
Training	3,500	3,500	1,375	2,125
Travel	5,250	5,250	2,266	2,984
Employee health insurance & life insurance	43,973	43,973	32,417	11,556
Office expenses	55,600	55,600	60,785	(5,185)
Total general government administration	\$ 546,025	\$ 548,700	\$ 489,074	\$ 59,626
Public safety:				
Salary - law enforcement	\$ 308,614	\$ 308,614	\$ 306,968	\$ 1,646
Employee health insurance & life insurance	69,052	69,052	69,052	-
Payroll taxes	27,326	27,326	27,326	-
Retirement	22,320	22,320	22,320	-
Utilities	13,875	13,875	12,079	1,796
Other law enforcement	98,400	106,900	167,301	(60,401)
Total public safety	\$ 539,587	\$ 548,087	\$ 605,046	\$ (56,959)
Public works:				
Salary - public works	\$ 19,505	\$ 19,505	\$ 19,505	\$ -
Payroll taxes	2,209	2,209	2,209	-
Professional services	25,140	25,140	44,225	(19,085)
Maintenance contracts	26,000	26,000	19,187	6,813
Street lights	4,100	4,100	3,205	895
Town decorations	-	-	18,008	(18,008)
Trash removal	80,000	80,000	72,429	7,571
Capital improvements	74,354	113,001	50,743	62,258
Total public works	\$ 231,308	\$ 269,955	\$ 229,511	\$ 40,444

GOVERNMENTAL FUNDS

Schedule of Expenditures--Budget and Actual
Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<u>General Fund: (Continued)</u>				
Cultural:				
Museum	\$ 21,570	\$ 36,570	\$ 26,566	\$ 10,004
Special events	<u>13,500</u>	<u>13,500</u>	<u>6,980</u>	<u>6,520</u>
Total cultural	<u>\$ 35,070</u>	<u>\$ 50,070</u>	<u>\$ 33,546</u>	<u>\$ 16,524</u>
Debt service:				
Principal retirement	\$ 129,588	\$ 129,588	\$ 129,588	\$ -
Interest and other debt costs	<u>11,124</u>	<u>11,124</u>	<u>39,434</u>	<u>(28,310)</u>
Total debt service	<u>\$ 140,712</u>	<u>\$ 140,712</u>	<u>\$ 169,022</u>	<u>\$ (28,310)</u>
Non-departmental:				
Refund of prior year real estate taxes	\$ -	\$ 150,000	\$ 150,000	\$ -
Total General Fund	<u>\$ 1,492,702</u>	<u>\$ 1,707,524</u>	<u>\$ 1,676,199</u>	<u>\$ 31,325</u>
<u>Capital Improvements Fund:</u>				
Capital Outlay:				
Supplies and services	\$ 1,005,000	\$ 891,353	\$ 205,108	\$ 686,245
Total Capital Improvements Fund	<u>\$ 1,005,000</u>	<u>\$ 891,353</u>	<u>\$ 205,108</u>	<u>\$ 686,245</u>
Grand Total Expenditures--All Governmental Funds	<u>\$ 2,497,702</u>	<u>\$ 2,598,877</u>	<u>\$ 1,881,307</u>	<u>\$ 717,570</u>

Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haymarket, Virginia, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Haymarket, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Haymarket, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Haymarket, Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Haymarket, Virginia in a separate letter dated September 17, 2012.

This report is intended solely for the information and use of the Town Council, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 17, 2012