

---

---

TOWN OF HAYMARKET, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



**TOWN OF HAYMARKET, VIRGINIA**

---

**TOWN COUNCIL**

---

David Leake, Mayor

Joe Pasanello, Vice Mayor

Steve Aitken

John Cole

Susan Edwards

Connor Leake

Chris Morris

**OFFICIALS**

---

Kimberly L. Murray, Town Manager

Danielle Kijewski, Town Clerk

Roberto Gonzalez, Treasurer

TOWN OF HAYMARKET, VIRGINIA

Financial Report  
For the Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-7
 <b><u>Basic Financial Statements</u></b>	
<i>Government-wide Financial Statements</i>	
Exhibit 1 Statement of Net Position .....	8
Exhibit 2 Statement of Activities .....	9
<i>Fund Financial Statements</i>	
Exhibit 3 Balance Sheet - Governmental Fund .....	10
Exhibit 4 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	11
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund .....	12
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities .....	13
Notes to Financial Statements .....	14-43
 <b><u>Required Supplementary Information</u></b>	
Exhibit 7 General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	44
Exhibit 8 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios .....	45
Exhibit 9 Schedule of Employer Contributions .....	46
Exhibit 10 Notes to Required Supplementary Information .....	47
 <b><u>Other Supplementary Information</u></b>	
<i>Supporting Schedules</i>	
Schedule 1 Schedule of Revenues - Budget and Actual - Governmental Fund .....	48-49
Schedule 2 Schedule of Expenditures - Budget and Actual - Governmental Fund .....	50-51
 <b><u>Compliance</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	52-53

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Haymarket, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Haymarket, Virginia, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 3-7, 44, and 45-47, and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Haymarket, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of Town of Haymarket, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Haymarket, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
October 5, 2017

TOWN OF HAYMARKET, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2017

---

As management of Town of Haymarket, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,098,820 (net position). Of this amount, \$1,511,728 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's general fund reported ending fund balance of \$1,422,119, an increase of \$38,380 in comparison with the prior year. Approximately 99% of this total amount, \$1,416,119 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's debt decreased \$155,000 during the current fiscal year.

**Overview of the Financial Statements**

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

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

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Town's 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements: (continued)

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Haymarket, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,098,820 at the close of the most recent fiscal year.

<u>Town of Haymarket, Virginia's, Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,023,994	\$ 1,842,522
Capital assets	<u>5,960,723</u>	<u>5,844,261</u>
Total assets	<u>\$ 7,984,717</u>	<u>\$ 7,686,783</u>
Deferred outflow of resources	<u>\$ 71,627</u>	<u>\$ 37,319</u>
Current liabilities	\$ 503,884	\$ 442,574
Long-term liabilities outstanding	<u>1,401,874</u>	<u>1,405,291</u>
Total liabilities	<u>\$ 1,905,758</u>	<u>\$ 1,847,865</u>
Deferred inflow of resources	<u>\$ 51,766</u>	<u>\$ 33,136</u>
Net position:		
Net investment in capital assets	\$ 4,587,092	\$ 4,465,361
Unrestricted	<u>1,511,728</u>	<u>1,377,740</u>
Total net position	<u>\$ 6,098,820</u>	<u>\$ 5,843,101</u>

A large part of the Town's net position, \$4,587,092 or (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (continued)

Governmental Activities - Governmental activities increased the Town's net position by \$204,243. Key elements of these changes are as follows:

<u>Town of Haymarket, Virginia's Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
<b>Program revenues:</b>		
Charges for services	\$ 195,732	\$ 136,097
Operating grants and contributions	45,733	41,077
Capital grants and contributions	79,535	76,617
<b>General revenues:</b>		
General property taxes	299,906	304,821
Other local taxes	1,286,627	1,178,682
Grants and contributions not restricted to specific programs	145,186	147,033
Other general revenues	167,909	185,385
Total revenues	<u>\$ 2,220,628</u>	<u>\$ 2,069,712</u>
<b>Expenses</b>		
General government administration	\$ 696,570	\$ 733,283
Public safety	779,222	1,001,505
Public works	352,911	367,204
Cultural	55,310	62,902
Community development	98,258	64,771
Interest and other fiscal charges	34,114	49,043
Total expenses	<u>\$ 2,016,385</u>	<u>\$ 2,278,708</u>
Change in net position	\$ 204,243	\$ (208,996)
Net position, beginning, as restated	<u>5,894,577</u>	<u>6,052,097</u>
Net position, ending	<u><u>\$ 6,098,820</u></u>	<u><u>\$ 5,843,101</u></u>

## **Financial Analysis of the Town's Funds**

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

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,422,119, an increase of \$38,380 in comparison with the prior year. A large part of this total amount, \$1,416,119 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 \$1,416,119 at year end.

## **General Fund Budgetary Highlights**

The Town's General Fund had \$2,220,628 in revenues during the year, which was \$244,672 less than budgeted (reference Exhibit 7). The Town's General Fund expended \$2,331,979 during the year. Overall the general fund had an increase in fund balance of \$38,380, (reference Exhibit 5).

## **Capital Asset and Debt Administration**

**Capital assets** - The Town's investment in capital assets for its governmental funds as of June 30, 2017 totals \$5,960,723 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and equipment.

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

## **Debt**

During the year, the Town's debt decreased \$155,000 as it repaid and refunded existing debt principal on general obligation debt in the General Fund. The Town acquired five police vehicles and utilized \$149,731 of capital lease financing towards the purchase of these vehicles. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in the notes to the financial statements.

## **Contact the Town's Financial Management**

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

- Basic Financial Statements -

*Government-wide Financial Statements*

Statement of Net Position  
June 30, 2017

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,760,140
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	6,075
Accounts receivable	96,043
Due from other governments	57,721
Net pension asset	<u>104,015</u>
Total current assets	\$ <u>2,023,994</u>
Capital assets (net of depreciation):	
Land	1,781,511
Construction in progress	358,616
Buildings and improvements	1,401,801
Infrastructure assets	1,972,924
Historic museum	183,701
Police vehicles	210,485
Equipment	<u>51,685</u>
Capital assets, net	\$ <u>5,960,723</u>
Total assets	\$ <u>7,984,717</u>
<b>Deferred Outflows of Resources:</b>	
Pension contributions subsequent to measurement date	\$ 61,313
Net difference between projected and actual earnings on plan investments	<u>10,314</u>
Total deferred outflows of resources	\$ <u>71,627</u>
Total assets and deferred outflows of resources	\$ <u>8,056,344</u>
<b>Liabilities:</b>	
Accounts payable	\$ 121,902
Unearned revenue	45,448
Deposits payable	323,478
Interest payable	13,056
Long-term liabilities:	
Due within one year	187,308
Due in more than one year	<u>1,214,566</u>
Total liabilities	\$ <u>1,905,758</u>
<b>Deferred Inflows of Resources:</b>	
Items related to measurement of net pension liability	\$ 44,734
Deferred revenues - property taxes	<u>7,032</u>
Total deferred inflows of resources	\$ <u>51,766</u>
<b>Net Position:</b>	
Net investment in capital assets	\$ 4,587,092
Unrestricted	<u>1,511,728</u>
Total net position	\$ <u>6,098,820</u>
Total liabilities, net position and deferred inflows of resources	\$ <u>8,056,344</u>

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

Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government administration	\$ 696,570	\$ -	\$ -	\$ -	\$ (696,570)
Public safety	779,222	75,343	41,683		(662,196)
Public works	352,911	39,856	4,050	19,955	(289,050)
Cultural	55,310	80,533	-	-	25,223
Community development	98,258	-	-	59,580	(38,678)
Interest on long-term debt	34,114	-	-	-	(34,114)
<b>Total primary government</b>	<b>\$ 2,016,385</b>	<b>\$ 195,732</b>	<b>\$ 45,733</b>	<b>\$ 79,535</b>	<b>\$ (1,695,385)</b>
<b>General Revenues:</b>					
General property taxes				\$ 299,906	
Meals tax				607,327	
Cigarette tax				168,839	
Business license tax				156,026	
Consumer utility tax - electric				154,507	
Local sales and use tax				155,344	
Other local taxes				44,584	
Unrestricted revenues from the use of money and property				161,589	
Grants and contributions not restricted to specific programs				145,186	
Miscellaneous				6,320	
Total general revenues				\$ 1,899,628	
Change in net position				\$ 204,243	
Net position, beginning of year, as restated				5,894,577	
Net position, end of year				\$ 6,098,820	

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

- Basic Financial Statements -

*Fund Financial Statements*

Balance Sheet  
 Governmental Fund  
 June 30, 2017

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,760,140
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	6,075
Accounts receivable	96,043
Due from other governments	<u>57,721</u>
Total assets	<u>\$ 1,919,979</u>
<b>Liabilities:</b>	
Accounts payable	\$ 121,902
Deposits payable	323,478
Deferred revenues	<u>45,448</u>
Total liabilities	<u>\$ 490,828</u>
<b>Liabilities:</b>	
Unavailable revenue - property taxes	<u>\$ 7,032</u>
<b>Fund Balance:</b>	
Restricted:	
Proffers - Alexandras Keep - for historic resources	\$ 6,000
Unassigned	<u>1,416,119</u>
Total fund balance	<u>\$ 1,422,119</u>
Total liabilities and fund balance	<u>\$ 1,919,979</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
For the Year Ended June 30, 2017

---

Total fund balances for governmental funds (Exhibit 3)		\$	1,422,119
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land		\$	1,781,511
Construction in progress			358,616
Depreciable capital assets, net of accumulated depreciation			<u>3,820,596</u>
			5,960,723
The net pension asset is not an available resource and, therefore, is not reported in the funds.			104,015
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Items related to measurement of net pension asset			(44,734)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.			
			61,313
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds		\$	(1,223,900)
Net difference between projected and actual earnings on plan investments			10,314
Capital lease obligation			(149,731)
Interest payable			(13,056)
Compensated absences			<u>(28,243)</u>
			<u>(1,404,616)</u>
Total net position of governmental activities		\$	<u><u>6,098,820</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2017

	<u>General Fund</u>
<b>Revenues:</b>	
General property taxes	\$ 299,906
Other local taxes	1,286,627
Permits, privilege fees and regulatory licenses	39,856
Revenue from use of money and property	161,589
Charges for services	155,876
Miscellaneous	6,320
Intergovernmental	
Commonwealth	200,002
Federal	70,452
Total revenues	<u>\$ 2,220,628</u>
<b>Expenditures:</b>	
General government administration	\$ 697,087
Public safety	958,088
Public works	198,867
Cultural	47,780
Community development	98,258
Capital projects	141,963
Debt service:	
Principal retirement	155,000
Interest and fiscal charges	34,936
Total expenditures	<u>\$ 2,331,979</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (111,351)
<b>Other financing sources:</b>	
Issuance of capital lease	<u>149,731</u>
Net change in fund balance	\$ 38,380
Fund balance at beginning of year, as restated	<u>1,383,739</u>
Fund balance at end of year	<u><u>\$ 1,422,119</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2017

---

Net change in fund balances - total governmental funds (Exhibit 5) \$ 38,380

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. Details supporting this adjustment are as follows:

Capital outlay	\$ 331,926	
Depreciation expense	<u>(215,463)</u>	116,463

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in deferred inflows related to the measurement of the net pension asset		(11,598)
---	--	----------

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

Details supporting this adjustment are as follows:

Less capital lease proceeds	\$ (149,731)	
Principal retired on general obligation bonds	<u>155,000</u>	5,269

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

Change in net pension asset	\$ 22,452	
Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date	23,994	
Net difference between projected and actual earnings on plan investments	10,314	
Change in interest payable	821	
Change in compensated absences	<u>(1,852)</u>	55,729

Change in net position of governmental activities		<u>\$ 204,243</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, 2017

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Narrative Profile:

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

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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.

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

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

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 measurement focus 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 governmental fund financial statements to the governmental column of the government-wide financial statement.

The following is a brief description of the funds used by the Town in FY 2017.

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

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

**C. Basis of Accounting**

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

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

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

**C. Basis of Accounting (continued)**

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 unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town.

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

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

**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.

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

**E. Cash and Cash Equivalents**

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

**F. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$103,776 at June 30, 2017 and consists of general receivables.

**G. Capital Assets**

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements. The Town's capitalization threshold is \$1,500 with a useful life of more than one year.

Property, plant and equipment and infrastructure purchased are stated at cost or estimated cost. Donated property is recorded at acquisition 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:

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

**H. Use of Estimates**

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

**I. Compensated Absences**

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

**J. Fund Equity**

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

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

**J. 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 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 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).

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Town has several items that qualify for reporting in this category one of which is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. The other item consists of the net difference between projected and actual earnings on plan investments. For more detailed information on these items, reference the pension note.

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

**K. Deferred Outflows/Inflows of Resources (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, the Town has certain items related to the measurement of the net pension asset. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

**L. Net Position**

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

**M. Net Position Flow Assumption**

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

**N. 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.

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

**O. Adoption of Accounting Principles**

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

**O. Adoption of Accounting Principles (continued)**

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**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 5. The Town bills and collects its own property taxes. The Town does not record an allowance for uncollectible receivables as all receivables are deemed collectible.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

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.

Investments: Statutes authorize local governments and other public bodies 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 corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments at June 30, 2017 were held in the Town's name by the Town's custodial bank.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

---

**NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)**

Credit Risk of Debt Securities: The Town has not adopted an investment policy for credit risk. The Town's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>Town's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
VML/VACO Virginia Investment Pool	\$ <u>305,118</u>

Redemption Restrictions: The Town is limited to two withdrawals per month.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value (NAV).

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:**

At June 30, 2017 the Town has receivables from other governments as follows:

Commonwealth of Virginia:	
Sales tax	\$ 27,907
Communication tax	19,517
Virginia Department of Transportation	<u>10,297</u>
Total	\$ <u>57,721</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 5 - CAPITAL ASSETS:**

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

**Governmental Activities:**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 1,781,511	\$ -	\$ -	\$ 1,781,511
Construction in progress	216,653	141,963	-	358,616
Total capital assets not being depreciated	<u>\$ 1,998,164</u>	<u>\$ 141,963</u>	<u>\$ -</u>	<u>\$ 2,140,127</u>
Other capital assets:				
Buildings and improvements	\$ 2,163,091	\$ 2,800	\$ -	\$ 2,165,891
Infrastructure assets	2,557,882	-	-	2,557,882
Historic museum	302,807	-	-	302,807
Equipment	153,291	-	-	153,291
Police vehicles	192,893	187,163	-	380,056
Total other capital assets	<u>\$ 5,369,964</u>	<u>\$ 189,963</u>	<u>\$ -</u>	<u>\$ 5,559,927</u>
Accumulated depreciation:				
Buildings and improvements	\$ 681,583	\$ 82,507	\$ -	\$ 764,090
Infrastructure assets	499,695	85,263	-	584,958
Historic museum	111,576	7,530	-	119,106
Equipment	87,462	14,144	-	101,606
Police vehicles	143,552	26,019	-	169,571
Total accumulated depreciation	<u>\$ 1,523,868</u>	<u>\$ 215,463</u>	<u>\$ -</u>	<u>\$ 1,739,331</u>
Other capital assets, net	<u>\$ 3,846,096</u>	<u>\$ (25,500)</u>	<u>\$ -</u>	<u>\$ 3,820,596</u>
Net capital assets	<u>\$ 5,844,260</u>	<u>\$ 116,463</u>	<u>\$ -</u>	<u>\$ 5,960,723</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 15,782		
Public safety		35,307		
Public works		156,844		
Cultural		7,530		
Total depreciation expense		<u>\$ 215,463</u>		

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 6 - LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Obligations:					
General obligation bonds	\$ 1,378,900	\$ -	\$ 155,000	\$ 1,223,900	\$ 155,700
Capital leases	-	149,731	-	149,731	28,784
Compensated absences	26,391	4,842	2,990	28,243	2,824
Total Governmental Obligations	<u>\$ 1,405,291</u>	<u>\$ 154,573</u>	<u>\$ 157,990</u>	<u>\$ 1,401,874</u>	<u>\$ 187,308</u>

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 155,700	\$ 27,682	\$ 28,784	\$ 2,809
2019	156,600	23,904	29,354	2,239
2020	157,300	20,103	29,935	1,658
2021	158,300	16,377	30,527	1,065
2022	159,200	12,424	31,131	461
2023	160,100	8,544	-	-
2024	136,600	4,945	-	-
2025	70,700	2,462	-	-
2026	69,400	815	-	-
Total	<u>\$ 1,223,900</u>	<u>\$ 117,256</u>	<u>\$ 149,731</u>	<u>\$ 8,232</u>

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

General Obligation Bonds:

\$1,458,000 2014 A General Obligation Refunding Bond Series 2014A, payable in semi-annual installments ranging from \$144,300 to \$69,400 beginning August 1, 2014 through August 1, 2025, interest payable at 2.28%	\$ 1,049,800
\$243,500 2014 B Taxable General Obligation Refunding Bond Series 2014B, payable in semi-annual installments ranging from \$24,400 to \$20,400 beginning August 1, 2014 through August 1, 2023, interest payable at 3.25%	<u>174,100</u>
Total general obligation bonds	\$ 1,223,900
\$149,731 Equipment Lease Purchase, Series 2017, for purchase of five police vehicles, payable in semi-annual installments in the amount of \$15,796 beginning September 30, 2017 through March 30, 2022, interest payable at 1.97%	149,731
Compensated absences	<u>28,243</u>
Total long-term obligations	<u>\$ 1,401,874</u>

**NOTE 7 - COMPENSATED ABSENCES:**

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$28,243.

**NOTE 8 - PENSION PLAN:**

*Plan Description*

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as 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 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:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> 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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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><b>*Non-Eligible Members (Cont.)</b> 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>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTE 8 - PENSION PLAN: (continued)

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b> 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><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> 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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b></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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b></u> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1 and Plan 2.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

**NOTE 8 - PENSION PLAN: (continued)**

*Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</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><b>Purchase of Prior Service</b> 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><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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 one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

---

**NOTE 8 - PENSION PLAN: (continued)**

*Employees Covered by Benefit Terms*

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>-</u>
Active members	<u>11</u>
Total covered employees	<u><u>11</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 political subdivisions 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, 2017 was 10.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$61,313 and \$37,319 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Net Pension Liability (Asset)*

The Town's net pension liability (asset) was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

*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, 2015, 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, 2016.

**NOTE 8 - PENSION PLAN: (continued)**

*Actuarial Assumptions - General Employees (Continued)*

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 8 - PENSION PLAN: (continued)**

*Actuarial Assumptions - General Employees (Continued)*

- All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
  - Decrease in rates of service retirement
  - Decrease in rates of disability retirement
  - Reduce rates of salary increase by 0.25% per year

*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 8 - PENSION PLAN: (continued)**

*Discount Rate*

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

*Changes in Net Pension Liability (Asset)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 220,882	\$ 302,445	\$ (81,563)
Changes for the year:			
Service cost	\$ 60,061	\$ -	\$ 60,061
Interest	15,462	-	15,462
Differences between expected and actual experience	(23,423)	-	(23,423)
Contributions - employer	-	36,959	(36,959)
Contributions - employee	-	30,431	(30,431)
Net investment income	-	7,311	(7,311)
Administrative expenses	-	(146)	146
Other changes	-	(3)	3
Net changes	\$ 52,100	\$ 74,552	\$ (22,452)
Balances at June 30, 2016	\$ 272,982	\$ 376,997	\$ (104,015)

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 8 - PENSION PLAN: (continued)**

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town			
Net Pension Liability	(46,033)	(104,015)	(149,929)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$17,635. At June 30, 2017, 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	\$ -	\$ 44,734
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	10,314	
Employer contributions subsequent to the measurement date	61,313	-
Total	\$ 71,627	\$ 44,734

\$61,313 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2018	\$ (4,082)
2019	(4,084)
2020	(766)
2021	(2,094)
2022	(5,335)
Thereafter	(18,059)

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

---

**NOTE 9 - LITIGATION:**

At June 30, 2017, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

**NOTE 10 - OPERATING LEASES:**

Lease Revenue: The Town leases certain commercial buildings and office suites in its Town Hall Properties. The non-cancelable operating lease agreements expire at various times throughout the fiscal years ending June 30, 2018 through 2022. 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 \$153,098 for the fiscal year ended June 30, 2017. The approximate future minimum lease rentals to be received by the Town's business-type activities are as follows for the fiscal years ending June 30:

Year Ending June 30:		
2018	\$	157,691
2019		162,421
2020		167,294
2021		172,313
2022		177,482
	\$	<u>837,201</u>

**NOTE 11 - COMMITMENTS AND CONTINGENCIES:**

Federal programs in which the Town participates are subject to audit in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**NOTE 12 - RISK MANAGEMENT:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (continued)

**NOTE 13 - FUND BALANCE/NET POSITION RESTATEMENT:**

Fund balance/net position amounts were restated as of July 1, 2016 as follows:

	<u>Fund Balance</u>	<u>Net Position</u>
	<u>Governmental Funds</u>	<u>Governmental Activities</u>
Fund balance / net position as previously reported	\$ 1,332,263	\$ 5,843,101
Adjustment to record meals tax revenues as receivable	41,649	41,649
Adjustment to record communication tax as receivable	<u>9,827</u>	<u>9,827</u>
Net position as restated	<u>\$ 1,383,739</u>	<u>\$ 5,894,577</u>

**NOTE 14 - UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:**

The following is a summary of unearned revenue for the year ended June 30, 2017:

	<u>Government- wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Deferred/Unavailable revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	\$ 7,032	\$ 7,032
Unearned revenue:		
Prepaid rent, events and other items	<u>45,448</u>	<u>45,448</u>
Total	<u>\$ 52,480</u>	<u>\$ 52,480</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 Balance - Budget and Actual  
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 302,000	\$ 302,000	\$ 299,906	\$ (2,094)
Other local taxes	1,275,000	1,275,000	1,286,627	11,627
Permits, privilege fees and regulatory licenses	48,700	48,700	39,856	(8,844)
Revenue from use of money and property	199,200	199,200	161,589	(37,611)
Charges for services	90,000	90,000	155,876	65,876
Miscellaneous	1,900	1,900	6,320	4,420
Intergovernmental:				
Commonwealth	183,500	183,500	200,002	16,502
Federal	390,000	365,000	70,452	(294,548)
Total revenues	<u>\$ 2,490,300</u>	<u>\$ 2,465,300</u>	<u>\$ 2,220,628</u>	<u>\$ (244,672)</u>
<b>Expenditures</b>				
General government administration	\$ 712,350	\$ 712,350	\$ 697,087	\$ 15,263
Public safety	775,900	775,900	958,088	(182,188)
Public works	212,000	212,000	198,867	13,133
Cultural	70,650	70,650	47,780	22,870
Community development	64,600	64,600	98,258	(33,658)
Capital projects	778,116	638,360	141,963	496,397
Debt service:				
Principal retirement	155,000	155,000	155,000	-
Interest and fiscal charges	31,440	31,440	34,936	(3,496)
Total expenditures	<u>\$ 2,800,056</u>	<u>\$ 2,660,300</u>	<u>\$ 2,331,979</u>	<u>\$ 328,321</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (309,756)	\$ (195,000)	\$ (111,351)	\$ 83,649
<b>Other financing sources (uses):</b>				
Issuance of capital lease	-	-	149,731	149,731
Net change in fund balance	<u>\$ (309,756)</u>	<u>\$ (195,000)</u>	<u>\$ 38,380</u>	<u>\$ 233,380</u>
Fund balance at beginning of year, as restated	<u>309,756</u>	<u>195,000</u>	<u>1,383,739</u>	<u>1,188,739</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,422,119</u>	<u>\$ 1,422,119</u>

## Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

For the Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 60,061	\$ 65,618	\$ 60,633
Interest	15,462	12,655	8,407
Benefit payments, including refunds of employee contributions	-	(16,721)	-
Differences between expected and actual experience	(23,423)	(29,814)	-
<b>Net change in total pension liability</b>	<b>\$ 52,100</b>	<b>\$ 31,738</b>	<b>\$ 69,040</b>
<b>Total pension liability - beginning</b>	<b>220,882</b>	<b>189,144</b>	<b>120,104</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 272,982</b>	<b>\$ 220,882</b>	<b>\$ 189,144</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 36,959	\$ 29,383	\$ 42,203
Contributions - employee	30,431	24,216	24,622
Net investment income	7,311	12,395	29,876
Benefit payments, including refunds of employee contributions	-	(16,721)	-
Administrative expense	(146)	(130)	(103)
Other	(3)	(3)	2
<b>Net change in plan fiduciary net position</b>	<b>\$ 74,552</b>	<b>\$ 49,140</b>	<b>\$ 96,600</b>
<b>Plan fiduciary net position - beginning</b>	<b>302,445</b>	<b>253,305</b>	<b>156,705</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 376,997</b>	<b>\$ 302,445</b>	<b>\$ 253,305</b>
<b>Political subdivision's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (104,015)</b>	<b>\$ (81,563)</b>	<b>\$ (64,161)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>138.10%</b>	<b>136.93%</b>	<b>133.92%</b>
<b>Covered payroll</b>	<b>\$ 615,832</b>	<b>\$ 487,282</b>	<b>\$ 492,446</b>
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>-16.89%</b>	<b>-16.74%</b>	<b>-13.03%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

For the Years Ended June 30, 2015 through June 30, 2017

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2017	\$ 61,313	\$ 61,313	-	\$ 573,262	10.70%
2016	37,319	37,319	-	615,832	6.06%
2015	29,383	29,383	-	487,282	6.06%
2014	42,203	42,203	-	492,446	8.57%
2013	39,185	39,185	-	457,229	8.57%
2012	35,501	35,501	-	452,824	7.84%
2011	13,570	13,570	-	173,086	7.84%

Current year contributions are from the Town's records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information  
For the Years Ended June 30, 2015 through June 30, 2017

---

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 new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

- Other Supplementary Information -

*Supporting Schedules*

## Governmental Fund

Schedule of Revenues - Budget and Actual  
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b><u>General Fund:</u></b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 292,000	\$ 292,000	\$ 285,703	\$ (6,297)
Public service corporation taxes:				
Real property	10,000	10,000	9,810	(190)
Business personal property taxes	-	-	224	224
Penalties and interest	-	-	4,169	4,169
Total general property taxes	\$ 302,000	\$ 302,000	\$ 299,906	\$ (2,094)
Other local taxes:				
Local sales and use taxes	\$ 150,000	\$ 150,000	\$ 155,344	\$ 5,344
Cigarette tax	220,000	220,000	168,839	(51,161)
Business license tax	175,000	175,000	156,026	(18,974)
Bank franchise taxes	50,000	50,000	44,584	(5,416)
Consumer utility tax - electric	130,000	130,000	154,507	24,507
Meals tax	550,000	550,000	607,327	57,327
Total other local taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,286,627	\$ 11,627
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 1,200	\$ 1,200	\$ 6,051	\$ 4,851
Motor vehicle licenses	1,900	1,900	1,380	(520)
Inspections	15,000	15,000	9,720	(5,280)
Occupancy permits	600	600	200	(400)
Other planning and permits	30,000	30,000	22,505	(7,495)
Total permits, privilege fees and regulatory licenses	\$ 48,700	\$ 48,700	\$ 39,856	\$ (8,844)
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 8,491	\$ (1,509)
Revenue from use of property	189,200	189,200	153,098	(36,102)
Total revenue from use of money and property	\$ 199,200	\$ 199,200	\$ 161,589	\$ (37,611)
Charges for services:				
Recovered costs - events	\$ 40,000	\$ 40,000	\$ 80,533	\$ 40,533
Public safety fees	50,000	50,000	75,343	25,343
Total charges for services	\$ 90,000	\$ 90,000	\$ 155,876	\$ 65,876

## Governmental Fund

Schedule of Revenues - Budget and Actual  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous income	\$ 1,900	\$ 1,900	\$ 6,320	\$ 4,420
Total revenue from local sources	<u>\$ 1,916,800</u>	<u>\$ 1,916,800</u>	<u>\$ 1,950,174</u>	<u>\$ 33,374</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,500	\$ 18,500	\$ 18,627	\$ 127
Communications tax	120,000	120,000	118,718	(1,282)
Car rental tax	5,500	5,500	6,489	989
Rolling stock tax	1,500	1,500	1,352	(148)
Total non-categorical aid	<u>\$ 145,500</u>	<u>\$ 145,500</u>	<u>\$ 145,186</u>	<u>\$ (314)</u>
Categorical aid:				
Law enforcement grants	\$ 28,000	\$ 28,000	\$ 29,280	\$ 1,280
Fire funds	10,000	10,000	-	(10,000)
DEQ - Chesapeake Bay	-	-	4,050	4,050
VDOT	-	-	19,955	19,955
Other	-	-	1,531	1,531
Total categorical aid	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 54,816</u>	<u>\$ 16,816</u>
Total revenue from the Commonwealth	<u>\$ 183,500</u>	<u>\$ 183,500</u>	<u>\$ 200,002</u>	<u>\$ 16,502</u>
Revenue from the federal government:				
Categorical aid:				
Pedestrian improvement grant	\$ 375,000	\$ 350,000	\$ 59,580	\$ (290,420)
Caboose enhancement grant	15,000	15,000	-	(15,000)
Ground transportation safety grant	-	-	10,872	10,872
Total categorical aid	<u>\$ 390,000</u>	<u>\$ 365,000</u>	<u>\$ 70,452</u>	<u>\$ (294,548)</u>
Total revenue from the federal government	<u>\$ 390,000</u>	<u>\$ 365,000</u>	<u>\$ 70,452</u>	<u>\$ (294,548)</u>
Total General Fund	<u><u>\$ 2,490,300</u></u>	<u><u>\$ 2,465,300</u></u>	<u><u>\$ 2,220,628</u></u>	<u><u>\$ (244,672)</u></u>

## Governmental Fund

Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Mayor and Town Council	\$ 42,550	\$ 42,550	\$ 34,483	\$ 8,067
Salary - general	335,500	335,500	315,094	20,406
Fringe benefits - general	80,300	80,300	68,424	11,876
Payroll taxes	28,500	28,500	24,476	4,024
Insurance	16,000	16,000	15,491	509
Auditing	16,500	16,500	14,350	2,150
Accounting	8,000	8,000	19,252	(11,252)
Cigarette tax administration	5,500	5,500	771	4,729
Printing and binding	15,000	15,000	6,961	8,039
Advertising	12,000	12,000	9,719	2,281
Computer, internet and website	15,000	15,000	48,667	(33,667)
Postage	4,000	4,000	1,933	2,067
Telecommunications	6,000	6,000	4,974	1,026
Mileage allowance	2,500	2,500	1,051	1,449
Meals and lodging	4,000	4,000	1,111	2,889
Convention and education	10,000	10,000	2,062	7,938
Miscellaneous	2,000	2,000	2,153	(153)
Books, dues and subscriptions	15,000	15,000	24,470	(9,470)
Office supplies	4,000	4,000	5,874	(1,874)
Legal services	90,000	90,000	82,718	7,282
Equipment rental	-	-	100	(100)
Payroll processing fees	-	-	2,528	(2,528)
Capital outlays	-	-	10,425	(10,425)
Total general government administration	\$ 712,350	\$ 712,350	\$ 697,087	\$ 15,263
Public safety:				
Salary - law enforcement	\$ 436,100	\$ 436,100	\$ 451,280	\$ (15,180)
Fringe benefits - general	138,100	138,100	128,096	10,004
Payroll taxes	34,000	34,000	32,339	1,661
Legal services	12,000	12,000	15,848	(3,848)
Advertising	100	100	-	100
Computer, internet and website	4,700	4,700	2,104	2,596
Postage	300	300	1,458	(1,158)
Telecommunications	17,000	17,000	9,885	7,115
Insurance - vehicles	5,000	5,000	4,648	352
Mileage allowance	200	200	-	200
Meals and lodging	500	500	1,802	(1,302)
Convention and education	3,500	3,500	1,185	2,315
Miscellaneous	500	500	646	(146)
Community events	1,000	1,000	1,459	(459)
Books dues and subscriptions	6,800	6,800	7,961	(1,161)
Office supplies	3,100	3,100	2,628	472
Vehicle fuel	16,000	16,000	15,822	178
Vehicle maintenance supplies	15,000	15,000	13,878	1,122
Uniforms and police supplies	12,000	12,000	25,058	(13,058)
Mobile data computer network services	10,000	10,000	-	10,000
Building official	50,000	50,000	42,155	7,845
Capital outlay	-	-	199,836	(199,836)
Contributions to other governments	10,000	10,000	-	10,000
Total public safety	\$ 775,900	\$ 775,900	\$ 958,088	\$ (182,188)

Governmental Fund

Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b>General Fund: (Continued)</b>				
Public works:				
Trash removal	\$ 85,000	\$ 85,000	\$ 73,830	\$ 11,170
Repair and maintenance	55,000	55,000	54,963	37
Pest Control	2,000	2,000	1,550	450
Landscaping	30,000	30,000	34,490	(4,490)
Snow removal	4,000	4,000	5,562	(1,562)
Street cleaning	10,000	10,000	3,000	7,000
Electrical services	20,500	20,500	18,049	2,451
Water and sewer	2,000	2,000	1,046	954
Real estate taxes	2,500	2,500	3,337	(837)
Janitorial supplies	1,000	1,000	281	719
Town decorations	-	-	2,759	(2,759)
Total public works	<u>\$ 212,000</u>	<u>\$ 212,000</u>	<u>\$ 198,867</u>	<u>\$ 13,133</u>
Parks, recreation and cultural:				
Museum	\$ 5,650	\$ 5,650	\$ 4,908	\$ 742
Special events	<u>65,000</u>	<u>65,000</u>	<u>42,872</u>	<u>22,128</u>
Total parks, recreation and cultural	<u>\$ 70,650</u>	<u>\$ 70,650</u>	<u>\$ 47,780</u>	<u>\$ 22,870</u>
Community development:				
Planning commission	\$ 58,750	\$ 58,750	\$ 95,038	\$ (36,288)
Architectural review board	<u>5,850</u>	<u>5,850</u>	<u>3,220</u>	<u>2,630</u>
Total community development	<u>\$ 64,600</u>	<u>\$ 64,600</u>	<u>\$ 98,258</u>	<u>\$ (33,658)</u>
Capital Projects:				
Haymarket Community Park	\$ 275,000	\$ 150,000	\$ 3,105	\$ 146,895
Pedestrian improvement project	375,000	350,000	69,482	280,518
Town Center Master Plan	113,116	123,360	69,376	53,984
Caboose enhancement project	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total community development	<u>\$ 778,116</u>	<u>\$ 638,360</u>	<u>\$ 141,963</u>	<u>\$ 496,397</u>
Debt service:				
Principal retirement	\$ 155,000	\$ 155,000	\$ 155,000	\$ -
Interest and fiscal charges	<u>31,440</u>	<u>31,440</u>	<u>34,936</u>	<u>(3,496)</u>
Total debt service	<u>\$ 186,440</u>	<u>\$ 186,440</u>	<u>\$ 189,936</u>	<u>\$ (3,496)</u>
Total General Fund	<u>\$ 2,800,056</u>	<u>\$ 2,660,300</u>	<u>\$ 2,331,979</u>	<u>\$ 328,321</u>

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

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

---

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the financial statements of the governmental activities and each major fund of Town of Haymarket, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2017.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
October 5, 2017