

TOWN OF HAYMARKET, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

TOWN OF HAYMARKET, VIRGINIA

TOWN COUNCIL

Pamela E. Stutz, Mayor

John Cole, Vice-Mayor

Jay Tobias

Milton Kenworthy

Mary Lou Scarbrough

Robert Weir

David Leake

OFFICIAL

Gene Swearingen, Town Manager

TOWN OF HAYMARKET, VIRGINIA

Financial Report
Year Ended June 30, 2011

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Financial Report
Year Ended June 30, 2011

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haymarket, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Haymarket, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haymarket, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Haymarket, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Haymarket, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Town of Haymarket, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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. 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 11, 2011

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,652,574	\$ -	\$ 1,652,574
Receivables, net of allowance for uncollectibles	134,333	2,140	136,473
Prepaid items	9,374	-	9,374
Bond issuance costs	7,985	5,929	13,914
Capital assets:			
Land	1,168,492	600,000	1,768,492
Other capital assets, net of accumulated depreciation	1,419,701	674,815	2,094,516
Capital assets, net	\$ 2,588,193	\$ 1,274,815	\$ 3,863,008
Total assets	\$ 4,392,459	\$ 1,282,884	\$ 5,675,343
Liabilities:			
Accounts payable	\$ 29,709	\$ 3,752	\$ 33,461
Accrued payroll	21,522	-	21,522
Deposits	7,250	30,588	37,838
Long-term liabilities:			
Due within one year	111,712	55,229	166,941
Due in more than one year	1,075,222	881,408	1,956,630
Total liabilities	\$ 1,245,415	\$ 970,977	\$ 2,216,392
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,420,300	\$ 338,178	\$ 1,758,478
Unrestricted	1,726,744	(26,271)	1,700,473
Total net assets	\$ 3,147,044	\$ 311,907	\$ 3,458,951

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

TOWN OF HAYMARKET, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 479,041	\$ -	\$ -	\$ -
Public safety	478,824	63,293	46,896	-
Public works	286,544	52,628	7,890	101,605
Cultural	67,361	37,538	-	-
Interest on long-term debt	42,335	-	-	-
Total governmental activities	\$ 1,354,105	\$ 153,459	\$ 54,786	\$ 101,605
Business-type activities:				
Town Hall Properties	\$ 91,592	\$ 206,632	\$ -	\$ -
Total business-type activities	\$ 91,592	\$ 206,632	\$ -	\$ -
Total	\$ 1,445,697	\$ 360,091	\$ 54,786	\$ 101,605

General Revenues and transfers:

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

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (479,041)	\$ -	\$ (479,041)
(368,635)	-	(368,635)
(124,421)	-	(124,421)
(29,823)	-	(29,823)
(42,335)	-	(42,335)
<u>\$ (1,044,255)</u>	<u>\$ -</u>	<u>\$ (1,044,255)</u>
<u>\$ -</u>	<u>\$ 115,040</u>	<u>\$ 115,040</u>
<u>\$ -</u>	<u>\$ 115,040</u>	<u>\$ 115,040</u>
<u><u>\$ (1,044,255)</u></u>	<u><u>\$ 115,040</u></u>	<u><u>\$ (929,215)</u></u>
\$ 320,946	\$ -	\$ 320,946
434,284	-	434,284
161,826	-	161,826
143,061	-	143,061
103,994	-	103,994
103,390	-	103,390
4,923	-	4,923
152,986	-	152,986
7,897	-	7,897
61,327	(61,327)	-
<u>\$ 1,494,634</u>	<u>\$ (61,327)</u>	<u>\$ 1,433,307</u>
\$ 450,379	\$ 53,713	\$ 504,092
<u>2,696,665</u>	<u>258,194</u>	<u>2,954,859</u>
<u><u>\$ 3,147,044</u></u>	<u><u>\$ 311,907</u></u>	<u><u>\$ 3,458,951</u></u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2011

	<u>General</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,056,622	\$ 595,952	\$ 1,652,574
Receivables (net of allowance for uncollectibles):			
Taxes including penalties	10,638	-	10,638
Accounts	65,072	58,623	123,695
Prepaid items	9,374	-	9,374
Total assets	<u>\$ 1,141,706</u>	<u>\$ 654,575</u>	<u>\$ 1,796,281</u>
Liabilities:			
Accounts payable	\$ 29,709	\$ -	\$ 29,709
Accrued payroll	21,522	-	21,522
Escrow deposits	7,250	-	7,250
Total liabilities	<u>\$ 58,481</u>	<u>\$ -</u>	<u>\$ 58,481</u>
Fund Balance:			
Nonspendable:			
Prepaid items	\$ 9,374	\$ -	\$ 9,374
Assigned to:			
Capital projects	-	654,575	654,575
Unassigned	1,073,851	-	1,073,851
Total fund balance	<u>\$ 1,083,225</u>	<u>\$ 654,575</u>	<u>\$ 1,737,800</u>
Total liabilities and fund balance	<u>\$ 1,141,706</u>	<u>\$ 654,575</u>	<u>\$ 1,796,281</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2011

Total fund balances for governmental funds (Exhibit 3) \$ 1,737,800

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

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

Land	\$ 1,168,492	
Depreciable capital assets, net of accumulated depreciation	<u>1,419,701</u>	2,588,193

Issuance costs related to long-term liabilities 7,985

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

Bonds payable	\$ (1,125,000)	
Capital leases	(42,893)	
Accrued leave	<u>(19,041)</u>	<u>(1,186,934)</u>

Total net assets of governmental activities \$ 3,147,044

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

Statement of Revenues, Expenditures and Changes In Fund Balances

Governmental Funds

Year Ended June 30, 2011

	<u>General</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
Revenues:			
General property taxes	\$ 320,946	\$ -	\$ 320,946
Other local taxes	946,555	-	946,555
Permits, privilege fees and regulatory licenses	52,628	-	52,628
Revenue from use of money and property	1,189	3,734	4,923
Charges for services	100,831	-	100,831
Miscellaneous	7,897	-	7,897
Intergovernmental revenues:			
Commonwealth	192,534	101,605	294,139
Federal	15,238	-	15,238
Total revenues	<u>\$ 1,637,818</u>	<u>\$ 105,339</u>	<u>\$ 1,743,157</u>
Expenditures:			
Current:			
General government administration	\$ 461,505	\$ -	\$ 461,505
Public safety	445,303	-	445,303
Public works	243,356	-	243,356
Cultural	58,613	-	58,613
Capital outlay	-	238,895	238,895
Debt service:			
Principal retirement	91,827	-	91,827
Interest and fiscal charges	41,774	-	41,774
Total expenditures	<u>\$ 1,342,378</u>	<u>\$ 238,895</u>	<u>\$ 1,581,273</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 295,440</u>	<u>\$ (133,556)</u>	<u>\$ 161,884</u>
Other financing sources (uses):			
Transfers in	\$ 105,291	\$ -	\$ 105,291
Transfers (out)	-	(43,964)	(43,964)
Total other financing sources (uses)	<u>\$ 105,291</u>	<u>\$ (43,964)</u>	<u>\$ 61,327</u>
Changes in fund balances	\$ 400,731	\$ (177,520)	\$ 223,211
Fund balances at beginning of year	<u>682,494</u>	<u>832,095</u>	<u>1,514,589</u>
Fund balances at end of year	<u>\$ 1,083,225</u>	<u>\$ 654,575</u>	<u>\$ 1,737,800</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 Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit 5) \$ 223,211

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. 139,753

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

Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	\$ 75,000	
Principal retired on capital leases	<u>16,827</u>	91,827

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

Amortization of bond issuance costs	\$ (561)	
Change in accrued leave	<u>(3,851)</u>	<u>(4,412)</u>
Change in net assets of governmental activities	\$	<u><u>450,379</u></u>

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

Statement of Net Assets
 Proprietary Fund - Business-Type Activities
 At June 30, 2011

	<u>Town Hall Properties</u>
Assets:	
Current assets:	
Accounts Receivable	\$ 2,140
Noncurrent assets:	
Capital assets, net of accumulated depreciation	\$ 1,274,815
Bond issuance costs	5,929
Total noncurrent assets	\$ 1,280,744
Total assets	\$ 1,282,884
Liabilities:	
Current liabilities:	
Accounts payable	\$ 3,752
Security deposits	30,588
Current portion of long-term obligations	55,229
Total current liabilities	\$ 89,569
Noncurrent portion of long-term obligations	881,408
Total liabilities	\$ 970,977
Net Assets:	
Invested in capital assets, net of related debt	\$ 338,178
Unrestricted	(26,271)
Total net assets	\$ 311,907

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

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund - Business-Type Activities
 Year Ended June 30, 2011

	<u>Town Hall Properties</u>
Operating revenues:	
Rental fees	\$ <u>206,632</u>
Operating expenses:	
Other charges	\$ 6,667
Depreciation	<u>39,552</u>
Total operating expenses	\$ <u>46,219</u>
Operating income/(loss)	\$ <u>160,413</u>
Nonoperating revenues (expenses):	
Interest expense	\$ <u>(45,373)</u>
Income before transfers	115,040
Transfers:	
Transfers out	\$ <u>(61,327)</u>
Change in net assets	\$ 53,713
Net assets, beginning of year	<u>258,194</u>
Net assets, end of year	<u><u>\$ 311,907</u></u>

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

Statement of Cash Flows
 Proprietary Fund - Business-Type Activities
 Year Ended June 30, 2011

	<u>Town Hall Properties</u>
Cash flows provided (used) by operating activities:	
Rental fee receipts	\$ 217,105
Payments to suppliers	(6,010)
Net cash provided by (used in) operating activities	<u>\$ 211,095</u>
Cash flows provided (used) by capital and related financing activities:	
Purchase of capital assets	\$ (51,950)
Retirements of general obligation bonds	(52,445)
Interest expense	(45,373)
Net cash used in capital and related financing activities	<u>\$ (149,768)</u>
Cash flows provided (used) by noncapital and related financing activities:	
Net transfers from (to) other funds	<u>\$ (61,327)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents at beginning of year	<u>\$ -</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income	\$ 160,413
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	40,017
Changes in operating accounts:	
Accounts receivable	(2,118)
Accounts payable and accrued liabilities	192
Security deposits	12,591
Net cash provided by (used in) operating activities	<u><u>\$ 211,095</u></u>

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

The Town of Haymarket, located in Prince William County, Virginia, approximately 35 miles west of Washington, D.C. was initially chartered in 1799 and later incorporated in 1882. The town has a population of approximately 1,200 and a land area of approximately 372 acres.

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

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

A. Financial Reporting Entity

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

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

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

A. Financial Reporting Entity: (Continued)

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

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

B. Government-Wide and Fund Financial Statements

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2011.

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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

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

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

C. Basis of Accounting

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

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

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

C. Basis of Accounting: (Continued)

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

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

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

D. Budgets and Budgetary Accounting

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

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

E. Cash and Cash Equivalents

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

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

F. Receivables and Payables: (Continued)

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

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

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,924 at June 30, 2011 and is comprised solely of general and capital improvement receivables.

H. Capital Assets

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

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

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

I. Use of Estimates

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

J. Accrued Leave

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

K. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Government Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

K. Fund Equity: (Continued)

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

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

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

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

NOTE 2—PROPERTY TAXES RECEIVABLE:

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 3—DEPOSITS:

Deposits:

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

NOTE 4—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to the General Fund from the Capital Improvements fund to supplement General Fund operations	\$ 43,964
Transfers to the General Fund from the Town Hall Properties fund to supplement General Fund operations	<u>61,327</u>
Total transfers	<u>\$ 105,291</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ 168,492	\$ -	\$ 1,168,492
Other capital assets:				
Buildings and improvements	\$ 545,687	\$ -	\$ -	\$ 545,687
Infrastructure assets	895,031	32,396	-	927,427
Historic museum	292,852	-	-	292,852
Police vehicles	168,281	-	-	168,281
Equipment	143,176	23,812	-	166,988
Total other capital assets	<u>\$ 2,045,027</u>	<u>\$ 56,208</u>	<u>\$ -</u>	<u>\$ 2,101,235</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 68,567	\$ 15,276	\$ -	\$ 83,843
Infrastructure assets	235,980	28,993	-	264,973
Historic museum	61,382	8,748	-	70,130
Police vehicles	108,066	19,249	-	127,315
Equipment	122,592	12,681	-	135,273
Total accumulated depreciation	<u>\$ 596,587</u>	<u>\$ 84,947</u>	<u>\$ -</u>	<u>\$ 681,534</u>
Other capital assets, net	<u>\$ 1,448,440</u>	<u>\$ (28,739)</u>	<u>\$ -</u>	<u>\$ 1,419,701</u>
Net capital assets	<u>\$ 2,448,440</u>	<u>\$ 139,753</u>	<u>\$ -</u>	<u>\$ 2,588,193</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 13,341		
Public safety		33,865		
Public works		28,993		
Cultural		<u>8,748</u>		
Total depreciation expense		<u>\$ 84,947</u>		

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-Type Activities:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Other capital assets:				
Buildings	\$ 650,000	\$ -	\$ -	\$ 650,000
Building improvements	301,481	51,950	-	353,431
Total other capital assets	<u>\$ 951,481</u>	<u>\$ 51,950</u>	<u>\$ -</u>	<u>\$ 1,003,431</u>
Less: Accumulated depreciation for:				
Buildings	\$ 165,208	\$ 16,250	\$ -	\$ 181,458
Building improvements	123,856	23,302	-	147,158
Total accumulated depreciation	<u>\$ 289,064</u>	<u>\$ 39,552</u>	<u>\$ -</u>	<u>\$ 328,616</u>
Other capital assets, net	<u>\$ 662,417</u>	<u>\$ 12,398</u>	<u>\$ -</u>	<u>\$ 674,815</u>
Net capital assets	<u>\$ 1,262,417</u>	<u>\$ 12,398</u>	<u>\$ -</u>	<u>\$ 1,274,815</u>

Depreciation expense has been allocated
as follows:
 Town Hall Properties

\$ 39,552

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2011:

	<u>Amounts Payable July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
General obligation bonds	\$ 1,200,000	\$ -	\$ 75,000	\$ 1,125,000	\$ 75,000
Accrued leave	15,190	19,041	15,190	19,041	19,041
Capital lease obligations	59,720	-	16,827	42,893	17,671
Total Governmental Obligations	<u>\$ 1,274,910</u>	<u>\$ 19,041</u>	<u>\$ 107,017</u>	<u>\$ 1,186,934</u>	<u>\$ 111,712</u>
Enterprise Obligations:					
General obligation bonds	<u>\$ 989,082</u>	<u>\$ -</u>	<u>\$ 52,445</u>	<u>\$ 936,637</u>	<u>\$ 55,229</u>
Total Long-Term Obligations	<u>\$ 2,263,992</u>	<u>\$ 19,041</u>	<u>\$ 159,462</u>	<u>\$ 2,123,571</u>	<u>\$ 166,941</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Year Ending June 30,	Town Obligations				Enterprise Obligations	
	General Obligation Bonds		Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 75,000	\$ 41,361	\$ 17,671	\$ 1,569	\$ 55,229	\$ 42,124
2013	75,000	38,458	13,514	805	57,805	39,547
2014	75,000	35,556	7,086	378	60,507	36,845
2015	75,000	32,653	4,622	54	63,342	34,011
2016	75,000	29,751	-	-	66,315	31,038
2017	75,000	26,848	-	-	69,434	27,919
2018	75,000	23,946	-	-	72,707	24,646
2019	75,000	21,043	-	-	76,141	21,211
2020	75,000	18,141	-	-	79,746	17,607
2021	75,000	15,238	-	-	83,528	13,824
2022	75,000	12,336	-	-	87,499	9,853
2023	75,000	9,433	-	-	91,668	5,685
2024	75,000	6,531	-	-	72,716	1,403
2025	75,000	3,628	-	-	-	-
2026	75,000	726	-	-	-	-
Total	\$ 1,125,000	\$ 315,649	\$ 42,893	\$ 2,806	\$ 936,637	\$ 305,713

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Incurring by Town:

General Obligation Bonds:

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

	\$ <u>1,125,000</u>
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Capital Lease Obligations:

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

\$33,915 obligation for the purchase of a police cruiser, payable in monthly installments of \$981 through January 9, 2013, interest at 4.5802%	\$ 18,003
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\$33,926 obligation for the purchase of a police cruiser, payable in monthly installments of \$622 through February 9, 2015, interest at 5.0101%	<u>24,890</u>
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Total capital lease obligations	\$ <u>42,893</u>
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Accrued Leave	\$ <u>19,041</u>
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Total governmental obligations	\$ <u><u>1,186,934</u></u>
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Enterprise Obligations:

General Obligation Bonds:

\$262,568 capital-related general obligation series 2004A bonds maturing in monthly installments of \$1,564 through March 18, 2024, interest payable monthly at 3.80%	\$ 189,668
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\$372,426 capital-related general obligation series 2004B bonds maturing in monthly installments of \$2,670 through March 18, 2024, interest payable monthly at 6.10%	285,546
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\$634,131 capital-related general obligation series 2004C bonds maturing in monthly installments of \$3,859 through March 18, 2024, interest payable monthly at 4.05%	<u>461,423</u>
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Total general obligation bonds	\$ <u>936,637</u>
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Total enterprise obligations	\$ <u><u>936,637</u></u>
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TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$19,041 in the General Fund.

NOTE 8—RETIREMENT PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—RETIREMENT PLAN: (CONTINUED)

A. Plan Description: (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 7.84% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, Town's annual pension cost of \$13,828 was equal to the Town's required and actual contributions. Fiscal year 2011 was the first year the Town participated in the Virginia Retirement System; therefore, an actuarial valuation has not yet been performed.

NOTE 9—CONTINGENT LIABILITIES:

At June 30, 2011 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 10—OPERATING LEASES:

Lease Revenue: The Town leases certain commercial buildings and office suites in its Town Hall Properties, which is considered a business-type activity. The non-cancelable operating lease agreements expire at various times throughout the fiscal years ending June 30, 2012. 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 \$206,632 for the fiscal year ended June 30, 2011. The approximate future minimum lease rentals to be received by the Town's business-type activities are as follows for the fiscal year ending June 30:

Business-Type Activities	
Year ending June 30:	
2012	\$ <u>8,000</u>
	\$ <u><u>8,000</u></u>

Required Supplementary Information

Note to Required Supplementary Information:

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

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 302,462	\$ 302,462	\$ 320,946	\$ 18,484
Other local taxes	832,011	832,011	946,555	114,544
Permits, privilege fees and regulatory licenses	36,865	36,865	52,628	15,763
Revenue from use of money and property	6,750	6,750	1,189	(5,561)
Charges for services	138,156	138,156	100,831	(37,325)
Miscellaneous	-	-	7,897	7,897
Intergovernmental revenues:				
Commonwealth	160,212	160,212	192,534	32,322
Federal	7,375	7,375	15,238	7,863
Total revenues	<u>\$ 1,483,831</u>	<u>\$ 1,483,831</u>	<u>\$ 1,637,818</u>	<u>\$ 153,987</u>
Expenditures				
Current:				
General government administration	\$ 495,702	\$ 507,424	\$ 461,505	\$ 45,919
Public safety	476,465	491,496	445,303	46,193
Public works	244,450	303,650	243,356	60,294
Cultural	56,483	67,083	58,613	8,470
Debt service:				
Principal retirement	91,827	91,827	91,827	-
Interest and fiscal charges	53,416	53,416	41,774	11,642
Total expenditures	<u>\$ 1,418,343</u>	<u>\$ 1,514,896</u>	<u>\$ 1,342,378</u>	<u>\$ 172,518</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 65,488</u>	<u>\$ (31,065)</u>	<u>\$ 295,440</u>	<u>\$ 326,505</u>
Other financing sources (uses):				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,291</u>	<u>\$ 105,291</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,291</u>	<u>\$ 105,291</u>
Changes in fund balances	\$ 65,488	\$ (31,065)	\$ 400,731	\$ 431,796
Fund balances at beginning of year	<u>(65,488)</u>	<u>31,065</u>	<u>682,494</u>	<u>651,429</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,083,225</u></u>	<u><u>\$ 1,083,225</u></u>

Other Supplementary Information

Capital Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ 2,250	\$ 2,250	\$ 3,734	\$ 1,484
Intergovernmental revenues:				
Commonwealth	<u>304,000</u>	<u>304,000</u>	<u>101,605</u>	<u>(202,395)</u>
Total revenues	<u>\$ 306,250</u>	<u>\$ 306,250</u>	<u>\$ 105,339</u>	<u>\$ (200,911)</u>
Expenditures				
Current:				
Capital outlay	<u>\$ 407,315</u>	<u>\$ 462,515</u>	<u>\$ 238,895</u>	<u>\$ 223,620</u>
Total expenditures	<u>\$ 407,315</u>	<u>\$ 462,515</u>	<u>\$ 238,895</u>	<u>\$ 223,620</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (101,065)</u>	<u>\$ (156,265)</u>	<u>\$ (133,556)</u>	<u>\$ 22,709</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,964)</u>	<u>\$ (43,964)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,964)</u>	<u>\$ (43,964)</u>
Changes in fund balances	<u>\$ (101,065)</u>	<u>\$ (156,265)</u>	<u>\$ (177,520)</u>	<u>\$ (21,255)</u>
Fund balances at beginning of year	<u>101,065</u>	<u>156,265</u>	<u>832,095</u>	<u>675,830</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 654,575</u></u>	<u><u>\$ 654,575</u></u>

Supporting Schedules

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 265,551	\$ 265,551	\$ 278,254	\$ 12,703
Public service corporation taxes:				
Real property	12,011	12,011	13,124	1,113
Business personal property taxes	24,900	24,900	23,914	(986)
Penalties and interest	-	-	5,654	5,654
Total general property taxes	<u>\$ 302,462</u>	<u>\$ 302,462</u>	<u>\$ 320,946</u>	<u>\$ 18,484</u>
Other local taxes:				
Local sales and use taxes	\$ 91,000	\$ 91,000	\$ 85,108	\$ (5,892)
Cigarette tax	154,000	154,000	161,826	7,826
Business license tax	131,360	131,360	143,061	11,701
Bank franchise taxes	9,600	9,600	17,652	8,052
Consumer utility tax - electric	85,551	85,551	103,994	18,443
Meals tax	360,000	360,000	434,284	74,284
Motor vehicle licenses	500	500	630	130
Total other local taxes	<u>\$ 832,011</u>	<u>\$ 832,011</u>	<u>\$ 946,555</u>	<u>\$ 114,544</u>
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 2,775	\$ 2,775	\$ 18,258	\$ 15,483
Inspections	11,054	11,054	18,560	7,506
Occupancy permits	135	135	50	(85)
Other planning and permits	22,901	22,901	15,760	(7,141)
Total permits, privilege fees and regulatory licenses	<u>\$ 36,865</u>	<u>\$ 36,865</u>	<u>\$ 52,628</u>	<u>\$ 15,763</u>
Revenue from use of money and property:				
Interest on bank deposits	\$ 6,750	\$ 6,750	\$ 1,189	\$ (5,561)
Charges for services:				
Haymarket Day Booth and Sponsor Fees	\$ 35,964	\$ 35,964	\$ 37,538	\$ 1,574
Public safety fees	102,192	102,192	63,293	(38,899)
Total charges for services	<u>\$ 138,156</u>	<u>\$ 138,156</u>	<u>\$ 100,831</u>	<u>\$ (37,325)</u>
Miscellaneous revenue:				
Miscellaneous income	\$ -	\$ -	\$ 7,897	\$ 7,897
Total revenue from local sources	<u>\$ 1,316,244</u>	<u>\$ 1,316,244</u>	<u>\$ 1,430,046</u>	<u>\$ 113,802</u>

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<u>General Fund: (Continued)</u>				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,600	\$ 18,600	\$ 18,627	\$ 27
Telecommunications tax	109,449	109,449	133,043	23,594
Rolling stock tax	1,330	1,330	1,316	(14)
Total non-categorical aid	<u>\$ 129,379</u>	<u>\$ 129,379</u>	<u>\$ 152,986</u>	<u>\$ 23,607</u>
Categorical aid:				
Disaster recovery fund	\$ -	\$ -	\$ 1,148	\$ 1,148
Law enforcement grant	22,833	22,833	29,400	6,567
DEQ grants	-	-	1,000	1,000
Fire funds	8,000	8,000	8,000	-
Total Categorical aid	<u>\$ 30,833</u>	<u>\$ 30,833</u>	<u>\$ 39,548</u>	<u>\$ 8,715</u>
Total revenue from the Commonwealth	<u>\$ 160,212</u>	<u>\$ 160,212</u>	<u>\$ 192,534</u>	<u>\$ 32,322</u>
Revenue from the federal government:				
Categorical aid:				
Disaster recovery funds	\$ -	\$ -	\$ 5,742	\$ 5,742
Law enforcement grant	7,375	7,375	9,496	2,121
Total Categorical aid	<u>\$ 7,375</u>	<u>\$ 7,375</u>	<u>\$ 15,238</u>	<u>\$ 7,863</u>
Total revenue from the federal government	<u>\$ 7,375</u>	<u>\$ 7,375</u>	<u>\$ 15,238</u>	<u>\$ 7,863</u>
Total General Fund	<u><u>\$ 1,483,831</u></u>	<u><u>\$ 1,483,831</u></u>	<u><u>\$ 1,637,818</u></u>	<u><u>\$ 153,987</u></u>
<u>Capital Improvements Fund:</u>				
Revenue from use of money and property:				
Interest on bank deposits	\$ 2,250	\$ 2,250	\$ 3,734	\$ 1,484
Total revenue from local sources	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 3,734</u>	<u>\$ 1,484</u>
Revenue from the Commonwealth:				
Categorical aid:				
VDOT ISTEА/Safety Lu grant	\$ 304,000	\$ 304,000	\$ 101,605	\$ (202,395)
Total Categorical aid	<u>\$ 304,000</u>	<u>\$ 304,000</u>	<u>\$ 101,605</u>	<u>\$ (202,395)</u>
Total revenue from the Commonwealth	<u>\$ 304,000</u>	<u>\$ 304,000</u>	<u>\$ 101,605</u>	<u>\$ (202,395)</u>
Total Capital Improvements Funds	<u><u>\$ 306,250</u></u>	<u><u>\$ 306,250</u></u>	<u><u>\$ 105,339</u></u>	<u><u>\$ (200,911)</u></u>
Grand Total All Governmental Funds	<u><u>\$ 1,790,081</u></u>	<u><u>\$ 1,790,081</u></u>	<u><u>\$ 1,743,157</u></u>	<u><u>\$ (46,924)</u></u>

GOVERNMENTAL FUNDS

Schedule of Expenditures--Budget and Actual
Year Ended June 30, 2011

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
General Government:				
Mayor and Town Council	\$ 26,300	\$ 26,300	\$ 30,670	\$ (4,370)
Salary - general	172,193	175,225	160,374	14,851
Payroll taxes	17,752	17,752	19,011	(1,259)
Advertising	10,000	10,000	9,635	365
Utilities	23,581	23,581	18,874	4,707
Retirement	5,626	10,947	5,984	4,963
Insurance	36,653	37,529	36,919	610
Audit and legal	53,500	53,500	61,334	(7,834)
Professional services	34,000	36,493	26,065	10,428
Cigarette tax administration	5,400	5,400	7,512	(2,112)
Miscellaneous	8,771	8,771	4,714	4,057
Training	2,500	2,500	1,367	1,133
Travel	4,500	4,500	1,649	2,851
Employee health insurance & life insurance	42,393	42,393	33,281	9,112
Office expenses	52,533	52,533	44,116	8,417
Total general government	\$ 495,702	\$ 507,424	\$ 461,505	\$ 45,919
Public safety:				
Salary - law enforcement	\$ 288,146	\$ 293,786	\$ 274,694	\$ 19,092
Employee health insurance & life insurance	66,863	66,863	64,119	2,744
Payroll taxes	29,682	29,682	23,489	6,193
Retirement	8,874	17,265	7,844	9,421
Utilities	11,690	11,690	11,158	532
Other law enforcement	71,210	72,210	63,999	8,211
Total public safety	\$ 476,465	\$ 491,496	\$ 445,303	\$ 46,193
Public works:				
Salary - public works	\$ 10,495	\$ 10,495	\$ 10,495	\$ -
Payroll taxes	1,066	1,066	1,066	-
Professional services	10,000	15,000	37,090	\$ (22,090)
Maintenance contracts	25,000	25,000	26,298	(1,298)
Street lights	2,600	2,600	3,983	(1,383)
Trash removal	83,300	83,300	77,149	6,151
Capital improvements	111,989	166,189	87,275	78,914
Total public works	\$ 244,450	\$ 303,650	\$ 243,356	\$ 60,294

GOVERNMENTAL FUNDS

Schedule of Expenditures--Budget and Actual
Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<u>General Fund: (Continued)</u>				
Cultural:				
Museum	\$ 15,983	\$ 22,283	\$ 14,980	\$ 7,303
Special events	40,500	44,800	43,633	1,167
Total cultural	<u>\$ 56,483</u>	<u>\$ 67,083</u>	<u>\$ 58,613</u>	<u>\$ 8,470</u>
Debt service				
Principal retirement	\$ 91,827	\$ 91,827	\$ 91,827	\$ -
Interest and other debt costs	53,416	53,416	41,774	11,642
Total capital outlay	<u>\$ 145,243</u>	<u>\$ 145,243</u>	<u>\$ 133,601</u>	<u>\$ 11,642</u>
Total General Fund	<u><u>\$ 1,418,343</u></u>	<u><u>\$ 1,514,896</u></u>	<u><u>\$ 1,342,378</u></u>	<u><u>\$ 172,518</u></u>
<u>Capital Improvements Fund:</u>				
Supplies and services	\$ 407,315	\$ 462,515	\$ 238,895	\$ 223,620
Total Capital Improvements Fund	<u>\$ 407,315</u>	<u>\$ 462,515</u>	<u>\$ 238,895</u>	<u>\$ 223,620</u>
Grand Total Expenditures--All Governmental Funds	<u><u>\$ 1,825,658</u></u>	<u><u>\$ 1,977,411</u></u>	<u><u>\$ 1,581,273</u></u>	<u><u>\$ 396,138</u></u>

Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities; and each major fund of the Town of Haymarket, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Haymarket, Virginia in a separate letter dated November 11, 2011.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 11, 2011