



Financial Report

YEAR ENDED JUNE 30, 2022

TOWN OF CHINCOTEAGUE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

TOWN OF CHINCOTEAGUE, VIRGINIA

- TOWN COUNCIL -

J. Arthur Leonard, Mayor

Denise P. Bowden
Christopher D. Bott
William T. McComb

Ellen W. Richardson
Gene Wayne Taylor
Jay Savage

- OTHER TOWN OFFICIALS -

Town Manager..... Mike Tolbert
Director of Public Works Harvey Spurlock
Chief of Police Robley Fisher
Town Attorney William W. Fox, II

TOWN OF CHINCOTEAGUE, VIRGINIA

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Chincoteague, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, 92, *Omnibus*, and 93, *Replacement of Interbank Offered Rates*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2022, the Town restated beginning balances to recognize unrecorded revenue and stand-alone OPEB liability in the prior year. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Chincoteague, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Chincoteague, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Chincoteague, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Chincoteague, Virginia's basic financial statements. The accompanying individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical tables but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023, on our consideration of Town of Chincoteague, 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 solely 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 effectiveness of Town of Chincoteague, Virginia's 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 Chincoteague, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

June 28, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Chincoteague, 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, 2022.

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 \$21,897,681 (net position). Of this amount \$8,866,274 (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 governmental funds reported combined ending fund balances of \$7,810,518, an increase of \$1,349,534 in comparison with the prior year. Approximately seventy percent of this total amount, \$5,498,059 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$1,355,801 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 assets, liabilities and deferred inflows/outflows, with the difference 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).

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, education community development, and recreation activities.

Overview of the Financial Statements: (Continued)

The government-wide financial statements include not only Town of Chincoteague, Virginia itself (the Town), but also the Convention Center Authority. Financial information for this component unit is reported separately from the financial information presented for the Town itself.

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 Chincoteague, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories - the governmental funds and proprietary funds.

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

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

The Town maintains one major governmental fund - the General Fund and several nonmajor funds.

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

Proprietary funds - The Town maintains two proprietary funds - the Curtis Merritt Harbor Fund and the Water Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

Notes to 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 statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and pension funding schedules as well as other supplementary information for combining financial statements and supporting schedules.

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 \$20,980,726 at the close of the most recent fiscal year.

Town of Chincoteague, Virginia's Net Position June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 9,593,644	\$ 7,986,036	\$ 1,714,029	\$ 1,373,047	\$ 11,307,673	\$ 9,359,083
Capital assets	<u>8,816,142</u>	<u>9,012,117</u>	<u>4,981,844</u>	<u>5,358,279</u>	<u>13,797,986</u>	<u>14,370,396</u>
Total assets	<u>\$ 18,409,786</u>	<u>\$ 16,998,153</u>	<u>\$ 6,695,873</u>	<u>\$ 6,731,326</u>	<u>\$ 25,105,659</u>	<u>\$ 23,729,479</u>
Deferred outflows of resources	\$ 619,529	\$ 653,441	\$ 70,118	\$ 83,042	\$ 689,647	\$ 736,483
Total assets and deferred outflows of resources	<u>\$ 19,029,315</u>	<u>\$ 17,651,594</u>	<u>\$ 6,765,991</u>	<u>\$ 6,814,368</u>	<u>\$ 25,795,306</u>	<u>\$ 24,465,962</u>
Current liabilities	\$ 1,611,943	\$ 1,574,559	\$ 152,118	\$ 112,613	\$ 1,764,061	\$ 1,687,172
Long-term liabilities outstanding	<u>1,298,983</u>	<u>1,508,785</u>	<u>570,374</u>	<u>802,476</u>	<u>1,869,357</u>	<u>2,311,261</u>
Total liabilities	<u>\$ 2,910,926</u>	<u>\$ 3,083,344</u>	<u>\$ 722,492</u>	<u>\$ 915,089</u>	<u>\$ 3,633,418</u>	<u>\$ 3,998,433</u>
Deferred inflows of resources	\$ 1,049,669	\$ 77,152	\$ 131,493	\$ 19,500	\$ 1,181,162	\$ 96,652
Net investment in capital assets	\$ 8,676,221	\$ 8,828,453	\$ 4,355,186	\$ 4,642,436	\$ 13,031,407	\$ 13,470,889
Unrestricted	<u>6,392,499</u>	<u>5,662,645</u>	<u>1,556,820</u>	<u>1,237,343</u>	<u>7,949,319</u>	<u>6,899,988</u>
Total net position	<u>\$ 15,068,720</u>	<u>\$ 14,491,098</u>	<u>\$ 5,912,006</u>	<u>\$ 5,879,779</u>	<u>\$ 20,980,726</u>	<u>\$ 20,370,877</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,029,315</u>	<u>\$ 17,651,594</u>	<u>\$ 6,765,991</u>	<u>\$ 6,814,368</u>	<u>\$ 25,795,306</u>	<u>\$ 24,465,962</u>

A large part of the Town's net position, \$13,031,407 (60%) 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 \$1,509,841 while business-type activities increased net position by \$32,227. Key elements of these changes are as follows:

Town of Chincoteague, Virginia's Changes in Net Position For the Years Ended June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 490,236	\$ 496,496	\$ 1,690,295	\$ 1,576,250	\$ 2,180,531	\$ 2,072,746
Operating grants and contributions	1,058,720	1,445,325	-	-	1,058,720	1,445,325
Capital grants and contributions	-	238,358	90,371	110,067	90,371	348,425
General revenues:						
General property taxes	956,994	945,065	-	-	956,994	945,065
Other local taxes	4,359,866	3,690,730	-	-	4,359,866	3,690,730
Grants and contributions not restricted to specific programs	228,926	239,500	-	-	228,926	239,500
Other general revenues	<u>386,704</u>	<u>384,061</u>	<u>1,799</u>	<u>5,703</u>	<u>388,503</u>	<u>389,764</u>
Total revenues	\$ <u>7,481,446</u>	\$ <u>7,439,535</u>	\$ <u>1,782,465</u>	\$ <u>1,692,020</u>	\$ <u>9,263,911</u>	\$ <u>9,131,555</u>
Expenses:						
General government administration	\$ 1,380,455	\$ 1,353,198	\$ -	\$ -	\$ 1,380,455	\$ 1,353,198
Public safety	2,130,735	1,994,578	-	-	2,130,735	1,994,578
Public works	2,044,076	2,381,687	-	-	2,044,076	2,381,687
Health	107,718	103,906	-	-	107,718	103,906
Parks, recreation, and cultural	124,780	38,030	-	-	124,780	38,030
Community development	135,748	147,165	-	-	135,748	147,165
Interest and other fiscal charges	5,969	1,876	-	-	5,969	1,876
Water	-	-	1,037,073	1,086,834	1,037,073	1,086,834
Curtis Merritt Harbor	<u>-</u>	<u>-</u>	<u>755,289</u>	<u>453,018</u>	<u>755,289</u>	<u>453,018</u>
Total expenses	\$ <u>5,929,481</u>	\$ <u>6,020,440</u>	\$ <u>1,792,362</u>	\$ <u>1,539,852</u>	\$ <u>7,721,843</u>	\$ <u>7,560,292</u>
Increase in net position before transfers	\$ 1,551,965	\$ 1,419,095	\$ (9,897)	\$ 152,168	\$ 1,542,068	\$ 1,571,263
Transfers	<u>(42,124)</u>	<u>(36,689)</u>	<u>42,124</u>	<u>36,689</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ 1,509,841	\$ 1,382,406	\$ 32,227	\$ 188,857	\$ 1,542,068	\$ 1,571,263
Net position, July 1, as restated	<u>13,558,879</u>	<u>13,108,692</u>	<u>5,879,779</u>	<u>5,690,922</u>	<u>19,438,658</u>	<u>18,799,614</u>
Net position, June 30	\$ <u><u>15,068,720</u></u>	\$ <u><u>14,491,098</u></u>	\$ <u><u>5,912,006</u></u>	\$ <u><u>5,879,779</u></u>	\$ <u><u>20,980,726</u></u>	\$ <u><u>20,370,877</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.

Financial Analysis of the Town's Funds: (Continued)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,810,518, an increase of \$1,349,534 in comparison with the prior year. A large part of this total amount, \$5,498,059 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 was \$5,498,059 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$7,397,496 in revenues during the year, which was \$1,071,329 less than budgeted (reference Exhibit 10). The Town's General Fund expended \$6,013,336 during the year, which was \$1,732,086 less than budgeted (reference Exhibit 10).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities as of June 30, 2022 totaled \$8,816,142 (net of accumulated depreciation). This investment in capital assets included land, buildings and improvements, infrastructure and machinery and equipment. The Town's investment in governmental capital assets for the current fiscal year compared to the prior year total of \$9,012,117 shows a decrease of \$195,975. This decrease is due primarily to current year depreciation. The Water Fund and Curtis Merritt Harbor Fund's capital assets decreased from \$5,358,279 to \$4,981,844.

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

Debt

During the year the Town's debt decreased \$1,355,801 as it repaid principal on general obligation debt in the Water Fund. Annual requirements to amortize all long-term debt and related interest and other information related to the Town's debt can be found in the notes to the financial statements. The Town's governmental activities have VRS pension and OPEB liabilities outstanding of \$1,029,244 while the business-type activities have balances outstanding of \$13,685.

Additional information on the Town's long-term obligations can be found in the notes to 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 Town of Chincoteague, 6150 Community Drive, Chincoteague, Virginia 23336.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Convention Center
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 8,798,053	\$ 1,467,766	\$ 10,265,819	\$ 282,437
Receivables (net of allowance for uncollectibles):				
Property taxes	34,651	-	34,651	-
Accounts receivable	477,519	165,899	643,418	-
Prepaid items	58,917	-	58,917	771
Internal balances	(21,050)	21,050	-	-
Due from other governments	44,214	-	44,214	-
Inventory	-	37,046	37,046	-
Total Current Assets	\$ 9,392,304	\$ 1,691,761	\$ 11,084,065	\$ 283,208
Noncurrent Assets				
Net pension asset	\$ 201,340	\$ 22,268	\$ 223,608	\$ -
Capital assets (net of accumulated depreciation):				
Land	2,664,756	302,426	2,967,182	-
Construction in progress	559,756	-	559,756	-
Land improvements	1,374,174	-	1,374,174	3,580
Dock and improvements	-	1,289,572	1,289,572	-
Buildings and improvements	764,192	-	764,192	438,004
Infrastructure	2,676,711	2,346,085	5,022,796	-
Equipment	776,553	1,043,761	1,820,314	7,398
Total Noncurrent Assets	\$ 9,017,482	\$ 5,004,112	\$ 14,021,594	\$ 448,982
Total Assets	\$ 18,409,786	\$ 6,695,873	\$ 25,105,659	\$ 732,190
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 584,797	\$ 66,011	\$ 650,808	\$ -
OPEB related items	34,732	4,107	38,839	-
Total Deferred Outflows of Resources	\$ 619,529	\$ 70,118	\$ 689,647	\$ -
Total Assets and Deferred Outflows of Resources	\$ 19,029,315	\$ 6,765,991	\$ 25,795,306	\$ 732,190
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 73,975	\$ 32,717	\$ 106,692	\$ -
Accrued payroll and related liabilities	35,681	5,143	40,824	-
Security deposits	-	-	-	1,775
Unearned revenue	-	21,942	21,942	23,387
Unearned revenue - grants	1,437,680	-	1,437,680	-
Current portion of long-term obligations	64,607	92,316	156,923	-
Total Current Liabilities	\$ 1,611,943	\$ 152,118	\$ 1,764,061	\$ 25,162
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	\$ 1,298,983	\$ 570,374	\$ 1,869,357	\$ -
Total Liabilities	\$ 2,910,926	\$ 722,492	\$ 3,633,418	\$ 25,162
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 4,884	\$ -	\$ 4,884	\$ -
Pension related items	1,089,672	126,022	1,215,694	-
OPEB related items	44,887	5,471	50,358	-
Total Deferred Inflows of Resources	\$ 1,139,443	\$ 131,493	\$ 1,270,936	\$ -
NET POSITION				
Net investment in capital assets	\$ 8,676,221	\$ 4,355,186	\$ 13,031,407	\$ 448,982
Restricted:				
Net pension asset	201,340	22,268	223,608	-
Unrestricted	6,101,385	1,534,552	7,635,937	258,046
Total Net Position	\$ 14,978,946	\$ 5,912,006	\$ 20,890,952	\$ 707,028
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,029,315	\$ 6,765,991	\$ 25,795,306	\$ 732,190

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

TOWN OF CHINCOTEAGUE, VIRGINIA

Statement of Activities
Year Ended June 30, 2022

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,398,437	\$ 45,290	\$ -	\$ -
Public safety	2,181,529	38,772	199,476	-
Public works	2,065,074	404,450	781,895	-
Health	107,718	-	-	-
Parks, recreation, and cultural	124,780	-	-	-
Community development	135,748	1,724	77,349	-
Interest on long-term debt	5,969	-	-	-
Total governmental activities	<u>\$ 6,019,255</u>	<u>\$ 490,236</u>	<u>\$ 1,058,720</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 1,037,073	\$ 1,046,506	\$ -	\$ -
Curtis Merritt Harbor	755,289	643,789	-	90,371
Total business-type activities	<u>\$ 1,792,362</u>	<u>\$ 1,690,295</u>	<u>\$ -</u>	<u>\$ 90,371</u>
Total primary government	<u>\$ 7,811,617</u>	<u>\$ 2,180,531</u>	<u>\$ 1,058,720</u>	<u>\$ 90,371</u>
COMPONENT UNIT:				
Convention Center	<u>\$ 134,085</u>	<u>\$ 26,845</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Meals taxes				
Business license taxes				
Occupancy tax				
Consumer utility taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business- type Activities	Total	Convention Center
\$ (1,353,147)	\$ -	\$ (1,353,147)	\$ -
(1,943,281)	-	(1,943,281)	-
(878,729)	-	(878,729)	-
(107,718)	-	(107,718)	-
(124,780)	-	(124,780)	-
(56,675)	-	(56,675)	-
(5,969)	-	(5,969)	-
<u>\$ (4,470,299)</u>	<u>\$ -</u>	<u>\$ (4,470,299)</u>	<u>\$ -</u>
\$ -	\$ 9,433	\$ 9,433	\$ -
-	(21,129)	(21,129)	-
<u>\$ -</u>	<u>\$ (11,696)</u>	<u>\$ (11,696)</u>	<u>\$ -</u>
<u>\$ (4,470,299)</u>	<u>\$ (11,696)</u>	<u>\$ (4,481,995)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (107,240)</u>
\$ 956,994	\$ -	\$ 956,994	\$ -
193,171	-	193,171	-
1,387,138	-	1,387,138	-
143,212	-	143,212	-
2,216,329	-	2,216,329	-
220,205	-	220,205	-
199,811	-	199,811	-
60,392	1,209	61,601	78
326,312	590	326,902	11,636
228,926	-	228,926	154,467
(42,124)	42,124	-	-
<u>\$ 5,890,366</u>	<u>\$ 43,923</u>	<u>\$ 5,934,289</u>	<u>\$ 166,181</u>
<u>\$ 1,420,067</u>	<u>\$ 32,227</u>	<u>\$ 1,452,294</u>	<u>\$ 58,941</u>
<u>13,558,879</u>	<u>5,879,779</u>	<u>19,438,658</u>	<u>648,087</u>
<u>\$ 14,978,946</u>	<u>\$ 5,912,006</u>	<u>\$ 20,890,952</u>	<u>\$ 707,028</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
June 30, 2022

	General	Other Governmental Fund	Total
ASSETS			
Cash and cash equivalents	\$ 8,715,658	\$ 82,395	\$ 8,798,053
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	34,651	-	34,651
Accounts	477,519	-	477,519
Prepaid items	42,042	16,875	58,917
Due from other governmental units	38,302	5,912	44,214
Total assets	<u>\$ 9,308,172</u>	<u>\$ 105,182</u>	<u>\$ 9,413,354</u>
LIABILITIES			
Accounts payable	\$ 73,975	\$ -	\$ 73,975
Accrued liabilities	35,681	-	35,681
Unearned revenue - grants	1,437,680	-	1,437,680
Due to water fund	21,050	-	21,050
Total liabilities	<u>\$ 1,568,386</u>	<u>\$ -</u>	<u>\$ 1,568,386</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	\$ 34,450	\$ -	\$ 34,450
Total deferred inflows of resources	<u>\$ 34,450</u>	<u>\$ -</u>	<u>\$ 34,450</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 42,042	\$ 16,875	\$ 58,917
Committed:			
Trolley	\$ -	\$ 88,307	\$ 88,307
Assigned:			
Drainage	\$ 243,235	\$ -	\$ 243,235
Boat ramp repairs	329,235	-	329,235
Land acquisition	193,600	-	193,600
Playground equipment	200,001	-	200,001
Beach - various	954,482	-	954,482
Beach Access	22,000	-	22,000
Retirees	38,127	-	38,127
Mosquito control	184,555	-	184,555
Total assigned fund balance	<u>\$ 2,165,235</u>	<u>\$ -</u>	<u>\$ 2,165,235</u>
Unassigned	\$ 5,498,059	\$ -	\$ 5,498,059
Total fund balances	<u>\$ 7,705,336</u>	<u>\$ 105,182</u>	<u>\$ 7,810,518</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,308,172</u>	<u>\$ 105,182</u>	<u>\$ 9,413,354</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2022

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

Total fund balances for governmental funds (Exhibit 3)	\$	7,810,518	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	2,664,756	
Construction in progress		559,756	
Land improvements		1,374,174	
Buildings and improvements		764,192	
Infrastructure		2,676,711	
Equipment		<u>776,553</u>	8,816,142
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Net pension asset	\$	201,340	
Unavailable revenue - property taxes		<u>29,566</u>	230,906
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	584,797	
OPEB related items		<u>34,732</u>	619,529
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net OPEB liabilities	\$	(1,029,244)	
Compensated absences		(194,425)	
Note payable		<u>(139,921)</u>	(1,363,590)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(1,089,672)	
OPEB related items		<u>(44,887)</u>	(1,134,559)
Total net position of governmental activities	\$		<u><u>14,978,946</u></u>

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, 2022

	General	Other Governmental Fund	Total
Revenues:			
General property taxes	\$ 947,617	\$ -	\$ 947,617
Other local taxes	4,359,866	-	4,359,866
Permits, privilege fees and regulatory licenses	45,290	-	45,290
Fines and forfeitures	27,395	-	27,395
Revenue from use of money and property	60,392	-	60,392
Charges for services	415,827	1,724	417,551
Miscellaneous	326,312	-	326,312
Intergovernmental:			
Commonwealth	1,132,744	28,667	1,161,411
Federal	82,053	44,182	126,235
Total revenues	\$ 7,397,496	\$ 74,573	\$ 7,472,069
Expenditures:			
Current:			
General government administration	\$ 1,406,443	\$ -	\$ 1,406,443
Public safety	2,294,472	-	2,294,472
Public works	2,051,187	-	2,051,187
Health	107,718	-	107,718
Parks, recreation, and cultural	103,804	-	103,804
Community development	-	67,075	67,075
Debt service:			
Principal retirement	43,743	-	43,743
Interest and other fiscal charges	5,969	-	5,969
Total expenditures	\$ 6,013,336	\$ 67,075	\$ 6,080,411
Excess (deficiency) of revenues over (under) expenditures	\$ 1,384,160	\$ 7,498	\$ 1,391,658
Other financing sources (uses):			
Transfers in	\$ -	\$ 23,784	\$ 23,784
Transfers (out)	(65,908)	-	(65,908)
Total other financing sources (uses)	\$ (65,908)	\$ 23,784	\$ (42,124)
Changes in fund balances	\$ 1,318,252	\$ 31,282	\$ 1,349,534
Fund balances at beginning of year, as restated	6,387,084	73,900	6,460,984
Fund balances at end of year	\$ 7,705,336	\$ 105,182	\$ 7,810,518

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, 2022

		<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	1,349,534
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.		
Capital outlay	\$ 203,979	
Depreciation expense	<u>(399,954)</u>	(195,975)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		9,377
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.		
Change in compensated absences	\$ (4,877)	
Change in pension related items	188,444	
Change in OPEB related items	29,821	
Principal paid on note payable	<u>43,743</u>	<u>257,131</u>
Change in net position of governmental activities	\$	<u><u>1,420,067</u></u>

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

Statement of Net Position - Proprietary Funds
June 30, 2022

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,102,836	\$ 364,930	\$ 1,467,766
Accounts receivable	165,899	-	165,899
Inventory	-	37,046	37,046
Due from general fund	21,050	-	21,050
Total Current Assets	\$ 1,289,785	\$ 401,976	\$ 1,691,761
Noncurrent Assets			
Net pension asset	\$ 16,947	\$ 5,321	\$ 22,268
Capital Assets			
Land	302,426	-	302,426
Dock and improvements	-	2,960,754	2,960,754
Infrastructure	8,932,156	-	8,932,156
Equipment	1,331,722	221,621	1,553,343
Accumulated depreciation	(6,986,361)	(1,780,474)	(8,766,835)
Total Noncurrent Assets	\$ 3,596,890	\$ 1,407,222	\$ 5,004,112
Total Assets	\$ 4,886,675	\$ 1,809,198	\$ 6,695,873
Deferred Outflows of Resources			
Pension related items	\$ 50,803	\$ 15,208	\$ 66,011
OPEB related items	3,183	924	4,107
Total Deferred Outflows of Resources	\$ 53,986	\$ 16,132	\$ 70,118
Total Assets and Deferred Outflows of Resources	\$ 4,940,661	\$ 1,825,330	\$ 6,765,991
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 5,252	\$ 27,465	\$ 32,717
Accrued liabilities	3,817	1,326	5,143
Current portion of compensated absences	1,351	884	2,235
Current portion of general obligation bonds	90,081	-	90,081
Unearned revenue	16,716	5,226	21,942
Total Current Liabilities	\$ 117,217	\$ 34,901	\$ 152,118
Noncurrent Liabilities			
Compensated absences, net of current portion	\$ 12,161	\$ 7,951	\$ 20,112
Net OPEB liability	10,687	2,998	13,685
General obligation bonds, net of current portion	536,577	-	536,577
Total Noncurrent Liabilities	\$ 559,425	\$ 10,949	\$ 570,374
Total Liabilities	\$ 676,642	\$ 45,850	\$ 722,492
Deferred Inflows of Resources			
Pension related items	\$ 97,279	\$ 28,743	\$ 126,022
OPEB related items	4,272	1,199	5,471
Total Deferred Inflows of Resources	\$ 101,551	\$ 29,942	\$ 131,493
NET POSITION			
Net investment in capital assets	\$ 2,953,285	\$ 1,401,901	\$ 4,355,186
Unrestricted	1,209,183	347,637	1,556,820
Total Net Position	\$ 4,162,468	\$ 1,749,538	\$ 5,912,006
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,940,661	\$ 1,825,330	\$ 6,765,991

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

Statement of Revenues, Expenses and Change in Net Position -
 Proprietary Funds
 Year Ended June 30, 2022

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Nonmajor Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 976,054	\$ 643,789	\$ 1,619,843
Miscellaneous	590	-	590
Total operating revenues	\$ 976,644	\$ 643,789	\$ 1,620,433
Operating expenses:			
Salaries	\$ 219,258	\$ 50,235	\$ 269,493
Fringe benefits	29,932	7,105	37,037
Contracted services	-	531,594	531,594
Internal service allocation	100,000	-	100,000
Miscellaneous operating expenses	115,847	27,224	143,071
Repairs and maintenance	107,521	48,755	156,276
Depreciation	450,674	90,376	541,050
Total operating expenses	\$ 1,023,232	\$ 755,289	\$ 1,778,521
Operating income (loss)	\$ (46,588)	\$ (111,500)	\$ (158,088)
Nonoperating revenues (expenses):			
Availability fees	\$ 70,452	\$ -	\$ 70,452
Interest income	858	351	1,209
Interest expense	(13,841)	-	(13,841)
Total nonoperating revenues (expenses)	\$ 57,469	\$ 351	\$ 57,820
Income (loss) before transfers and capital grants	\$ 10,881	\$ (111,149)	\$ (100,268)
Transfers:			
Transfers in	\$ -	\$ 42,124	\$ 42,124
Capital grant - Virginia Port Authority grant	\$ -	\$ 90,371	\$ 90,371
Change in net position	\$ 10,881	\$ 21,346	\$ 32,227
Net position, beginning of year	4,151,587	1,728,192	5,879,779
Net position, end of year	\$ 4,162,468	\$ 1,749,538	\$ 5,912,006

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 982,691	\$ 646,675	\$ 1,629,366
Payments to employees (including fringe benefits)	(283,880)	(56,626)	(340,506)
Payments for other operating activities	(318,116)	(598,594)	(916,710)
Net cash provided by (used for) operating activities	\$ 380,695	\$ (8,545)	\$ 372,150
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (24,928)	\$ (139,687)	\$ (164,615)
Capital grants	-	90,371	90,371
Proceeds from availability fees	70,452	-	70,452
Interest expense	(13,841)	-	(13,841)
Retirement of general obligation bonds	(89,185)	-	(89,185)
Net cash provided by (used for) capital and related financing activities	\$ (57,502)	\$ (49,316)	\$ (106,818)
Cash flows from noncapital financing activities:			
Transfers in	\$ -	\$ 42,124	\$ 42,124
Cash flows from investing activities:			
Interest income	\$ 858	\$ 351	\$ 1,209
Net increase (decrease) in cash and cash equivalents	\$ 324,051	\$ (15,386)	\$ 308,665
Cash and cash equivalents at beginning of year	778,785	380,316	1,159,101
Cash and cash equivalents at end of year	\$ 1,102,836	\$ 364,930	\$ 1,467,766
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (46,588)	\$ (111,500)	\$ (158,088)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	450,674	90,376	541,050
Changes in operating assets and liabilities and deferred outflows/inflows of resources			
(Increase) decrease in:			
Accounts receivable	8,437	-	8,437
Inventory	-	(18,486)	(18,486)
Net pension asset	(16,947)	(5,321)	(22,268)
Deferred outflows of resources - pension related	9,794	1,799	11,593
Deferred outflows of resources - OPEB related	1,217	114	1,331
Increase (decrease) in:			
Accounts payable	5,252	27,465	32,717
Accrued liabilities	3,817	1,326	5,143
Compensated absences	(9,670)	3,489	(6,181)
Unearned revenue	(2,390)	2,886	496
Net pension liability	(98,759)	(27,703)	(126,462)
Net OPEB liability	(7,976)	(1,149)	(9,125)
Deferred inflows of resources - pension related	80,120	27,084	107,204
Deferred inflows of resources - OPEB related	3,714	1,075	4,789
Net cash provided by (used for) operating activities	\$ 380,695	\$ (8,545)	\$ 372,150

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Town of Chincoteague is governed by an elected six member Town Council. The Town provides a wide range of services for its citizens. These services include police protection, water services, recreational activities, cultural events, health, road maintenance and emergency medical services.

Financial Statement Presentation

Management's Discussion and Analysis - the financial statements are 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 and Fund Financial Statements

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 but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will 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 expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (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 one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. The Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general-purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the Town of Chincoteague (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally separate from the government.

B. Individual Component Unit Disclosure

Blended Component Units: The Town has no blended component units to be included for the fiscal year ended June 30, 2022.

Discretely Presented Component Units: Chincoteague Recreation and Convention Center Authority members are appointed by the Chincoteague Town Council. The Convention Center was built to provide a recreational facility for the residents of Chincoteague as well as providing meeting rooms for conventions. The Center is fiscally dependent upon the Town for its operating revenues. The financial statements of the Chincoteague Recreation and Convention Center Authority are presented as a discrete presentation of the Town financial statements for the fiscal year ended June 30, 2022. Separately issued financial statements can be obtained from the Authority, 6155 Community Drive, Chincoteague Island, VA 23336. The Authority was dissolved effective July 1, 2022. Its assets were transferred to the Town, and the Town took over operation of the Center.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which 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, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds:

a. 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 services, and interest income. The General Fund is considered a major fund for reporting purposes.

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

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

1. Governmental Funds: (Continued)

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds consist of the Trolley Fund, which is a nonmajor fund of the Town.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Curtis Merritt Harbor Fund.

The Town reports the following major enterprise fund:

Water Fund: This fund is used to account for water services of the Town.

The Town reports the following nonmajor enterprise fund:

Curtis Merritt Harbor: This fund is used to account for harbor services of the Town.

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 March 30, 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 fund level. The Town Manager is authorized to transfer budgeted amounts within all departments.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all Town units.
8. All budget data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

E. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Town's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

G. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

H. 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 "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

H. Receivables and Payables: (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$6,828 at June 30, 2022 and is comprised solely of property taxes.

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 on December 5th. The Town bills and collects its own property taxes.

I. Unbilled Water Revenue

The Town bills service charges to customers on a quarterly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$98,552.

J. Inventory

Inventory is valued at cost, using the first-in, first-out method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

K. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$3,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

K. Capital Assets (Continued)

Property, plant and equipment, and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water systems	50
Buildings	40
Building improvements	20-40
Vehicles	3-5
Equipment	5-10
Buses	12
Land improvements	10-20
Infrastructure	30-40
Dock and improvements	12-40

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

M. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

O. Fund Balance

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

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

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

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

The details of governmental fund balances are reported in Exhibit 3.

P. 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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

Q. Net Position Flow Assumption

Sometimes the Town 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 government-wide and proprietary fund 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.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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 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 uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

S. 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 fiduciary net 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.

T. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

U. Upcoming Pronouncements

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

V. Adoption of Accounting Principles

The Town implemented provisions of GASB Statement Nos. 87, *Leases*, 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, 92, *Omnibus*, and 93, *Replacement of Interbank Offered Rates* during the fiscal year ended June 30, 2022. No restatement of beginning net position or fund balance was required, and no balances were recognized, as a result of the implementation of these standards.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

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

W. Restatement of Net Position and Fund Balance

Net position and fund balance were restated as of July 1, 2021 as follows:

	Governmental Activities	Trolley Fund
Net position/fund balance, as previously reported	\$ 14,491,098	\$ 62,500
Unrecorded revenue in prior year	11,400	11,400
Unrecorded stand-alone OPEB liability in prior year	(943,619)	-
Net position/fund balance, as restated	<u>\$ 13,558,879</u>	<u>\$ 73,900</u>

NOTE 2—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 the 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 the 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Town does not have a policy related to credit risk of debt securities.

The Town’s rated debt investments as of June 30, 2022 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

The Town does not have a policy related to interest rate risk.

<u>Rated Debt Investments' Values</u>	
	<u>Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>4,018,368</u>

Summarized by maturity below for interest rate risk disclosure:

<u>Investment Maturity (in years)</u>		
<u>Investment Type</u>	<u>Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>4,018,368</u>	\$ <u>4,018,368</u>

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

The Town had receivables due from other governmental units at June 30, 2022 as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Commonwealth of Virginia:			
Communication taxes	\$ 9,928	\$ -	\$ 9,928
Mobile home sales tax	75	-	75
Auto rental tax	1,247	-	1,247
Criminal justice grants	21,850		
Federal Government:			
Trolley demo grant	-	5,912	5,912
Byrne grant	2,690		
VDOT - Highway planning and construction	2,512	-	2,512
Total	\$ <u>38,302</u>	\$ <u>5,912</u>	\$ <u>44,214</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of capital asset activity for the year ended June 30, 2022 is as follows:

Governmental Activities:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 2,664,756	\$ -	\$ -	\$ 2,664,756
Construction in progress	425,159	134,597	-	559,756
Total capital assets not being depreciated	\$ 3,089,915	\$ 134,597	\$ -	\$ 3,224,512
Capital assets being depreciated:				
Buildings and improvements	\$ 3,670,130	\$ -	\$ -	\$ 3,670,130
Land improvements	1,635,622	-	-	1,635,622
Infrastructure	3,654,113	-	-	3,654,113
Equipment	3,334,926	69,382	-	3,404,308
Total capital assets being depreciated	\$ 12,294,791	\$ 69,382	\$ -	\$ 12,364,173
Accumulated depreciation:				
Buildings and improvements	\$ 2,862,287	\$ 43,651	\$ -	\$ 2,905,938
Land improvements	199,683	61,765	-	261,448
Infrastructure	884,506	92,896	-	977,402
Equipment	2,426,113	201,642	-	2,627,755
Total accumulated depreciation	\$ 6,372,589	\$ 399,954	\$ -	\$ 6,772,543
Total capital assets being depreciated, net	\$ 5,922,202	\$ (330,572)	\$ -	\$ 5,591,630
Net capital assets	\$ 9,012,117	\$ (195,975)	\$ -	\$ 8,816,142

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 302,426	\$ -	\$ -	\$ 302,426
Total capital assets not being depreciated	\$ 302,426	\$ -	\$ -	\$ 302,426
Capital assets being depreciated:				
Infrastructure	\$ 8,932,156	\$ -	\$ -	\$ 8,932,156
Equipment	1,306,794	24,928	-	1,331,722
Total capital assets being depreciated	\$ 10,238,950	\$ 24,928	\$ -	\$ 10,263,878
Accumulated depreciation:				
Infrastructure	\$ 6,223,914	\$ 362,157	\$ -	\$ 6,586,071
Equipment	311,773	88,517	-	400,290
Total accumulated depreciation	\$ 6,535,687	\$ 450,674	\$ -	\$ 6,986,361
Net capital assets	\$ 4,005,689	\$ (425,746)	\$ -	\$ 3,579,943
Curtis Merritt Harbor:				
Capital assets being depreciated:				
Dock and improvements	\$ 2,821,067	\$ 139,687	\$ -	\$ 2,960,754
Equipment	221,621	-	-	221,621
Total capital assets being depreciated	\$ 3,042,688	\$ 139,687	\$ -	\$ 3,182,375
Accumulated depreciation:				
Dock and improvements	\$ 1,590,080	\$ 81,102	\$ -	\$ 1,671,182
Equipment	100,018	9,274	-	109,292
Total accumulated depreciation	\$ 1,690,098	\$ 90,376	\$ -	\$ 1,780,474
Net capital assets	\$ 1,352,590	\$ 49,311	\$ -	\$ 1,401,901

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	24,084
Public safety		46,612
Public works		239,609
Parks, recreation and cultural		20,976
Community development		68,673
Total governmental activities	\$	<u>399,954</u>

Business-type activities:

Water fund	\$	450,674
Curtis Merritt Harbor		90,376
Total business-type activities	\$	<u>541,050</u>

NOTE 5—LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2022:

	Balance July 1, 2021 as restated	Issuances / Additions	Retirements / Deletions	Balance June 30, 2022	Due Within One Year
Governmental activities					
Net pension liability	\$ 1,037,678	\$ 1,298,719	\$ 2,336,397	\$ -	\$ -
Net OPEB liabilities	1,104,213	87,556	162,525	1,029,244	-
Compensated absences	189,547	24,036	19,158	194,425	19,443
Note payable	183,664	-	43,743	139,921	45,164
Total governmental activities	<u>\$ 2,515,102</u>	<u>\$ 1,410,311</u>	<u>\$ 2,561,823</u>	<u>\$ 1,363,590</u>	<u>\$ 64,607</u>
Business-type activities					
Direct borrowings and placements:					
General obligation bonds	\$ 715,843	\$ -	\$ 89,185	\$ 626,658	\$ 90,081
Net pension liability	126,462	210,176	336,638	-	-
Net OPEB liabilities	22,810	4,362	13,487	13,685	-
Compensated absences	28,528	3,489	9,670	22,347	2,235
Total Business-type activities	<u>\$ 893,643</u>	<u>\$ 218,027</u>	<u>\$ 448,980</u>	<u>\$ 662,690</u>	<u>\$ 92,316</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Note Payable		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 45,164	\$ 4,547	\$ 90,081	\$ 12,950
2024	46,632	3,080	91,891	11,139
2025	48,125	1,564	93,738	9,292
2026	-	-	95,622	7,408
2027	-	-	97,544	5,485
2028	-	-	99,505	3,525
2029	-	-	58,277	1,525
Total	\$ 139,921	\$ 9,191	\$ 626,658	\$ 51,324

Details of Long-term Obligations:

	Total Outstanding
Governmental Activities:	
Net OPEB liability	\$ 1,029,244
Compensated absences	194,425
Note payable	139,921
Total governmental activities	\$ 1,363,590
Business-type activities:	
Direct Borrowings and Placements:	
General Obligation Bonds:	
\$971,400 taxable general obligation water bond, Series 2017, issued May 10, 2017 due in semi-annual installments of \$51,514 beginning January 1, 2019 through January 1, 2029, interest at 2.00%.	\$ 626,658
Total direct borrowings and placements	\$ 626,658
Net OPEB liability	13,685
Compensated absences	22,347
Total business-type activities	\$ 662,690

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—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, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Benefit Structures (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation; the multiplier is 1.70% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation; the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	20
Inactive members:	
Vested inactive members	6
Non-vested inactive members	10
Inactive members active elsewhere in VRS	15
Total inactive members	31
Active members	46
Total covered employees	97

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.

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 11.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$257,706 and \$249,769 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension assets were measured as of June 30, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

NOTE 6—PENSION PLAN: (CONTINUED)

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, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% rates for females set forward 2 years

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers and school divisions are assumed to continue 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)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 9,577,613	\$ 8,413,473	\$ 1,164,140
Changes for the year:			
Service cost	\$ 307,577	\$ -	\$ 307,577
Interest	632,438	-	632,438
Differences between expected and actual experience	(56,358)	-	(56,358)
Assumption changes	400,453	-	400,453
Contributions - employer	-	249,769	(249,769)
Contributions - employee	-	109,227	(109,227)
Net investment income	-	2,318,320	(2,318,320)
Benefit payments, including refunds	(416,318)	(416,318)	-
Administrative expenses	-	(5,679)	5,679
Other changes	-	219	(219)
Net changes	\$ 867,792	\$ 2,255,538	\$ (1,387,746)
Balances at June 30, 2021	\$ 10,445,405	\$ 10,669,011	\$ (223,606)

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension (Asset) Liability	\$ 1,225,755	\$ (223,606)	\$ (1,418,483)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$39,331. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,500	\$ 45,666
Change in assumptions	363,701	-
Net difference between projected and actual earnings on pension plan investments	-	1,162,127
Change in proportionate share	7,901	7,901
Employer contributions subsequent to the measurement date	257,706	-
Total	\$ 650,808	\$ 1,215,694

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$257,706 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 reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2023	\$ (113,015)
2024	(187,017)
2025	(189,220)
2026	(333,339)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$12,437 and \$12,060 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2022, the entity reported a liability of \$125,974 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.0108% as compared to 0.0110% at June 30, 2020.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$6,306. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,368	\$ 960
Net difference between projected and actual earnings on GLI OPEB program investments	-	30,067
Change in assumptions	6,945	17,238
Changes in proportionate share	5,089	2,093
Employer contributions subsequent to the measurement date	12,437	-
Total	<u>\$ 38,839</u>	<u>\$ 50,358</u>

\$12,437 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2023	\$ (5,061)
2024	(3,663)
2025	(3,949)
2026	(9,173)
2027	(2,108)
Thereafter	-

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Program
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		
		67.45%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 6.94%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Discount Rate: (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	184,052	\$ 125,974	\$ 79,073

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 8—PAY-AS-YOU-GO (OPEB PLAN) - MEDICAL INSURANCE:

Plan Description

In addition to the pension and OPEB benefits described in Notes 6 and 7 the Town provides post-retirement healthcare benefits for employees who are eligible under a single-employer defined benefit plan. The Town of Chincoteague allows eligible retirees to continue his/her health insurance with the Town until the retiree becomes eligible for Medicare. After such time, the Town offers reimbursement of eligible retirees' Medicare supplement premium for the remainder of his/her life not to exceed the Town's medical insurance premium for an individual employee. Eligible employees are those that were hired before January 1, 2012 and having been in the Town's employ as a full-time employee and enrolled in the Town's Health Insurance plan for a period of at least five years. The OPEB Plan does not issue separate audited financial statements.

Benefits Provided

The Town establishes employer contribution rates for plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether they will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees pay the full premium for health insurance coverage. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65 and retirees are covered by a Medicare Eligible supplement. Surviving spouses are not allowed access to the plan.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 8—PAY-AS-YOU-GO (OPEB PLAN) - MEDICAL INSURANCE: (CONTINUED)

Plan Membership

At June 30, 2022, the following employees were covered by the benefit terms:

Retirees	14
Active employees	<u>16</u>
Total	<u><u>30</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Plan Board. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2022 was \$75,752.

Total OPEB Liability

The total OPEB liability was measured as of June 30, 2022.

Actuarial Assumptions

The Town qualifies for the Alternative Measurement Method under GASB 75, under which the calculation of the total OPEB liability may be completed without a full actuarial valuation. The total OPEB liability as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	5.00%
Discount Rate	4.09%
Investment Rate of Return	N/A

Mortality rates were based on Pub-2010 Public Retirement Plans mortality tables, with mortality improvement projected for 10 years.

Discount Rate

As the Plan is not pre-funded and no OPEB Plan Fiduciary Net Position exists, GASB 75 requires that the discount rate reflect the yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The 4.09% rate used in the valuation is based on the 20-year tax exempt municipal bond yield.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 8—PAY-AS-YOU-GO (OPEB PLAN) - MEDICAL INSURANCE: (CONTINUED)

Changes in Total OPEB Liability

Changes in Total OPEB Liability		Total OPEB Liability
Balance at June 30, 2021	\$	943,619
Changes for the year:		
Interest		(1,534)
Effect of economic/demographic gains or losses		50,622
Benefit payments		(75,752)
Net changes		(26,664)
Balance at June 30, 2022	\$	916,955

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following amounts present the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

		Rate		
		1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Town	\$	991,727	\$ 916,955	\$ 851,396

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.70% decreasing to an ultimate rate of 3.20%) or one percentage point higher (5.70% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

		Rates		
		1% Decrease (3.70% decreasing to 3.20%)	Healthcare Cost Trend (4.70% decreasing to 4.20%)	1% Increase (5.70% decreasing to 5.20%)
Town	\$	850,469	\$ 916,955	\$ 992,316

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

NOTE 8—PAY-AS-YOU-GO (OPEB PLAN) - MEDICAL INSURANCE: (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the Town recognized OPEB expense in the amount of \$49,088.

The Town qualifies for the Alternative Measurement Method under GASB 75. Per GASB 75 Paragraph 43(a), deferred inflows/outflows of resources related to differences between actual and expected experience with regard to economic or demographic factors or changes in assumptions and other inputs should not be used under the Alternative Measurement Method. These items should be recognized in OPEB expense immediately.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Summary of OPEB Liability, Deferred Outflows of Resources and Deferred Inflows of Resources

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 7):				
Town	\$ 38,839	\$ 50,358	\$ 125,974	\$ 6,306
Town Stand-Alone Plan (Note 8)	-	-	916,955	49,088
Totals	<u>\$ 38,839</u>	<u>\$ 50,358</u>	<u>\$ 1,042,929</u>	<u>\$ 55,394</u>

NOTE 9—UNAVAILABLE/DEFERRED/UNEARNED REVENUE:

Deferred revenue/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2022:

Description	Governmental Funds		Deferred Governmental Activities	Unearned Proprietary Funds
	Unavailable	Unearned		
	General Fund	General Fund		
Harbor rents paid in advance	\$ -	\$ -	\$ -	\$ 5,226
Water bills paid in advance	-	-	-	16,716
Prepaid property taxes	4,884	-	4,884	-
Local delinquent real and personal property taxes	29,566	-	-	-
ARPA grant	-	1,437,680	-	-
Total	<u>\$ 34,450</u>	<u>\$ 1,437,680</u>	<u>\$ 4,884</u>	<u>\$ 21,942</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 10—CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, would be immaterial.

At June 30, 2022, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

NOTE 11—RISK MANAGEMENT:

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

NOTE 12—COMPENSATED ABSENCES:

In accordance with the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis not to exceed 240 hours. The Town had outstanding vacation pay totaling \$216,772 at June 30, 2022.

NOTE 13—SURETY BOND INFORMATION:

The Town has a \$400,000 blanket policy through the Virginia Municipal League group insurance plan covering all employees for fraud and other employee dishonesty.

NOTE 14—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 65,908
Trolley Fund	23,784	-
Curtis Merrit Harbor Fund	42,124	-
Total	<u>\$ 65,908</u>	<u>\$ 65,908</u>

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (Continued)

NOTE 15—DUE TO / FROM OTHER FUNDS:

Interfund receivables and payables at year end are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
General Fund	\$ -	\$ 21,050
Water Fund	21,050	-
	<u>\$ 21,050</u>	<u>\$ 21,050</u>

NOTE 16—COVID-19 PANDEMIC SUBSEQUENT EVENT:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town of Chincoteague, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,437,680 from the initial allocation are reported as unearned revenue as of June 30.

NOTE 17—CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY SUBSEQUENT EVENT:

Effective July 1, 2022, the Authority was dissolved and the Town took over operation of the Center. The Authority transferred its assets (consisting of cash, prepaid items, and capital assets) and its liabilities (consisting of security deposits and unearned revenue) to the Town as of that date. Town management is unable to estimate the effects on future periods of this event.

Required Supplementary Information

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Schedule of Revenues, Expenditures and Change in Fund Balance -
 Budget and Actual - General Fund
 Year Ended June 30, 2022

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 867,000	\$ 936,500	\$ 947,617	\$ 11,117
Other local taxes	3,062,000	4,083,750	4,359,866	276,116
Permits, privilege fees and regulatory licenses	42,050	42,200	45,290	3,090
Fines and forfeitures	47,000	23,000	27,395	4,395
Revenue from use of money and property	31,348	57,983	60,392	2,409
Charges for services	418,702	418,702	415,827	(2,875)
Miscellaneous	334,000	278,125	326,312	48,187
Intergovernmental:				
Commonwealth	1,093,564	1,093,568	1,132,744	39,176
Federal	30,600	1,534,997	82,053	(1,452,944)
Total revenues	\$ 5,926,264	\$ 8,468,825	\$ 7,397,496	\$ (1,071,329)
Expenditures:				
General government administration	\$ 1,325,522	\$ 2,901,667	\$ 1,406,443	\$ 1,495,224
Public safety	2,409,164	2,403,039	2,294,472	108,567
Public works	2,204,738	2,135,704	2,051,187	84,517
Health	123,762	129,300	107,718	21,582
Parks, recreation and cultural	30,000	126,000	103,804	22,196
Debt service:				
Principal retirement	43,743	43,743	43,743	-
Interest and fiscal charges	5,969	5,969	5,969	-
Total expenditures	\$ 6,142,898	\$ 7,745,422	\$ 6,013,336	\$ 1,732,086
Excess (deficiency) of revenues over (under) expenditures	\$ (216,634)	\$ 723,403	\$ 1,384,160	\$ 660,757
Other financing sources (uses):				
Transfers (out)	\$ (65,908)	\$ (65,908)	\$ (65,908)	\$ -
Sale of capital assets	5,000	-	-	-
Total other financing sources (uses)	\$ (60,908)	\$ (65,908)	\$ (65,908)	\$ -
Changes in fund balance	\$ (277,542)	\$ 657,495	\$ 1,318,252	\$ 660,757
Fund balance at beginning of year	277,542	(657,495)	6,387,084	7,044,579
Fund balance at end of year	\$ -	\$ -	\$ 7,705,336	\$ 7,705,336

TOWN OF CHINCOTEAGUE, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 307,577	\$ 291,930	\$ 252,234	\$ 239,148
Interest	632,438	595,185	551,345	528,628
Changes of assumptions	400,453	-	277,245	-
Difference between expected and actual experience	(56,358)	(5,759)	102,128	(221,770)
Benefit payments, including refunds of employee contributions	(416,318)	(242,588)	(240,918)	(202,048)
Net change in total pension liability	\$ 867,792	\$ 638,768	\$ 942,034	\$ 343,958
Total pension liability - beginning	9,577,613	8,938,845	7,996,811	7,652,853
Total pension liability - ending (a)	\$ 10,445,405	\$ 9,577,613	\$ 8,938,845	\$ 7,996,811
Plan fiduciary net position				
Contributions - employer	\$ 249,769	\$ 200,818	\$ 190,255	\$ 209,466
Contributions - employee	109,227	111,035	105,076	98,900
Net investment income	2,318,320	157,357	518,608	521,166
Benefit payments, including refunds of employee contributions	(416,318)	(242,588)	(240,918)	(202,048)
Administrative expense	(5,679)	(5,183)	(4,928)	(4,316)
Other	219	(190)	(327)	(472)
Net change in plan fiduciary net position	\$ 2,255,538	\$ 221,249	\$ 567,766	\$ 622,696
Plan fiduciary net position - beginning	8,413,473	8,192,224	7,624,458	7,001,762
Plan fiduciary net position - ending (b)	\$ 10,669,011	\$ 8,413,473	\$ 8,192,224	\$ 7,624,458
Town's net pension liability (asset) - ending (a) - (b)	\$ (223,606)	\$ 1,164,140	\$ 746,621	\$ 372,353
Plan fiduciary net position as a percentage of the total pension liability	102.14%	87.85%	91.65%	95.34%
Covered payroll	\$ 2,233,273	\$ 2,261,343	\$ 2,136,639	\$ 2,008,445
Town's net pension liability (asset) as a percentage of covered payroll	-10.01%	51.48%	34.94%	18.54%

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

Exhibit 11

	2017	2016	2015	2014
\$	244,968	\$ 235,328	\$ 239,717	\$ 227,594
	507,060	466,163	438,080	407,709
	(89,971)	-	-	-
	(151,971)	74,195	(40,490)	-
	(201,901)	(180,972)	(291,266)	(111,619)
\$	308,185	\$ 594,714	\$ 346,041	\$ 523,684
	7,344,668	6,749,954	6,403,913	5,880,229
\$	<u>7,652,853</u>	<u>\$ 7,344,668</u>	<u>\$ 6,749,954</u>	<u>\$ 6,403,913</u>
\$	198,136	\$ 205,728	\$ 209,869	\$ 226,725
	93,603	92,535	94,535	93,079
	759,180	107,691	265,876	758,736
	(201,901)	(180,972)	(291,266)	(111,619)
	(4,207)	(3,574)	(3,551)	(3,875)
	(684)	(45)	(57)	40
\$	844,127	\$ 221,363	\$ 275,406	\$ 963,086
	6,157,635	5,936,272	5,660,866	4,697,780
\$	<u>7,001,762</u>	<u>\$ 6,157,635</u>	<u>\$ 5,936,272</u>	<u>\$ 5,660,866</u>
\$	651,091	\$ 1,187,033	\$ 813,682	\$ 743,047
	91.49%	83.84%	87.95%	88.40%
\$	1,897,651	\$ 1,855,619	\$ 1,890,715	\$ 1,861,570
	34.31%	63.97%	43.04%	39.92%

Schedule of Employer Contributions - Pension Plan
 Years Ended June 30, 2013 through June 30, 2022

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution*	Contractually Required Contribution*	Contribution Deficiency (Excess)		
2022	\$ 257,706	\$ 257,706	\$ -	\$ 2,303,097	11.19%
2021	249,769	249,769	-	2,233,273	11.18%
2020	200,152	200,152	-	2,261,343	8.85%
2019	190,256	190,256	-	2,136,639	8.90%
2018	209,466	209,466	-	2,008,445	10.43%
2017	199,633	199,633	-	1,897,651	10.52%
2016	205,974	205,974	-	1,855,619	11.10%
2015	209,869	209,869	-	1,890,715	11.10%
2014	224,877	224,877	-	1,861,570	12.08%
2013	218,028	218,028	-	1,804,868	12.08%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information - Pension Plan
Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance Plan

For the Measurement Dates of June 30, 2017 through June 30, 2021

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
Primary Government:					
2021	0.0108% \$	125,974 \$	2,233,273	5.64%	67.45%
2020	0.0110%	183,405	2,261,343	8.11%	52.64%
2019	0.0109%	177,372	2,136,639	8.30%	52.00%
2018	0.0106%	161,000	2,008,445	8.02%	51.22%
2017	0.0103%	155,000	1,897,651	8.17%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Plan

Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Primary Government					
2022	\$ 12,437	\$ 12,437	\$ -	\$ 2,303,097	0.54%
2021	12,060	12,060	-	2,233,273	0.54%
2020	11,759	11,759	-	2,261,343	0.52%
2019	11,111	11,111	-	2,136,639	0.52%
2018	10,444	10,444	-	2,008,445	0.52%
2017	9,868	9,868	-	1,897,651	0.52%
2016	8,907	8,907	-	1,855,619	0.48%
2015	9,075	9,075	-	1,890,715	0.48%
2014	8,936	8,936	-	1,861,570	0.48%
2013	8,663	8,663	-	1,804,868	0.48%

Notes to Required Supplementary Information
 Group Life Insurance Plan
 Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability and Related Ratios
 Pay-As-You-Go Plan
 For the Measurement Date of June 30, 2022

	<u>2022</u>
Total OPEB liability	
Interest	\$ (1,534)
Effect of economic/demographic gains or losses	50,622
Benefit payments	(75,752)
Net change in total OPEB liability	\$ (26,664)
Total OPEB liability - beginning	943,619
Total OPEB liability - ending	<u><u>916,955</u></u>
 Covered-employee payroll	 \$ 879,802
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 104.22%

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information
 Pay-As-You-Go Plan
 Year Ended June 30, 2022

Valuation Date: 6/30/2022
 Measurement Date: 6/30/2022

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	4.09%
Inflation	2.50%
Healthcare Trend Rate	4.70% for 2022, grading down to 4.20% ultimate.
Salary Increase Rates	5.00%
Retirement Age	62 on average
Mortality Rates	The mortality rates are based on the Pub-2010 with mortality improvement projected for 10 years.

Other Supplementary Information

Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

	<u>Trolley Fund</u>
ASSETS	
Cash and cash equivalents	\$ 82,395
Prepaid items	16,875
Receivables:	
Due from other governments	<u>5,912</u>
Total assets	<u>\$ 105,182</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 16,875
Committed:	
Trolley	<u>88,307</u>
Total fund balances	<u>\$ 105,182</u>
Total liabilities and fund balances	<u>\$ 105,182</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022

	<u>Trolley Fund</u>
Revenues:	
Charges for services	\$ 1,724
Intergovernmental:	
Commonwealth	28,667
Federal	<u>44,182</u>
Total revenues	\$ <u>74,573</u>
Expenditures:	
Current:	
Community development	\$ <u>67,075</u>
Total expenditures	\$ <u>67,075</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>7,498</u>
Other financing sources (uses):	
Transfers in	\$ <u>23,784</u>
Total other financing sources (uses)	\$ <u>23,784</u>
Changes in fund balances	\$ 31,282
Fund balances at beginning of year, as restated	<u>73,900</u>
Fund balances at end of year	<u>\$ 105,182</u>

Supporting Schedules

Governmental Funds

Schedule of Revenues - Budget and Actual

Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 632,000	\$ 671,000	\$ 674,619	\$ 3,619
Personal property taxes	215,000	245,500	253,330	7,830
Interest and penalties	20,000	20,000	19,668	(332)
Total general property taxes	\$ 867,000	\$ 936,500	\$ 947,617	\$ 11,117
Other local taxes:				
Local sales and use taxes	\$ 165,000	\$ 200,000	\$ 193,171	\$ (6,829)
Consumers' utility taxes	205,000	205,000	220,205	15,205
Business license taxes	120,000	120,000	143,212	23,212
Motor vehicle licenses	80,000	91,750	94,294	2,544
Bank franchise tax	92,000	92,000	105,517	13,517
Transient occupancy tax	1,400,000	2,125,000	2,216,329	91,329
Meals taxes	1,000,000	1,250,000	1,387,138	137,138
Total other local taxes	\$ 3,062,000	\$ 4,083,750	\$ 4,359,866	\$ 276,116
Permits, privilege fees and regulatory licenses:				
Road permit fees	\$ 300	\$ 300	\$ 240	\$ (60)
Zoning advertisements	750	900	900	-
Permits and other licenses	41,000	41,000	44,150	3,150
Total permits, privilege fees and regulatory licenses	\$ 42,050	\$ 42,200	\$ 45,290	\$ 3,090
Fines and forfeitures:				
Court fines and forfeitures	\$ 47,000	\$ 23,000	\$ 27,395	\$ 4,395
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 5,250	\$ 6,959	\$ 1,709
Revenue from use of property	21,348	52,733	53,433	700
Total revenue from use of money and property	\$ 31,348	\$ 57,983	\$ 60,392	\$ 2,409
Charges for services:				
911 dispatch for Assateague	\$ 12,150	\$ 12,150	\$ 11,377	\$ (773)
Solid waste collection fees	406,552	406,552	404,450	(2,102)
Total charges for services	\$ 418,702	\$ 418,702	\$ 415,827	\$ (2,875)
Miscellaneous:				
Police donations	\$ 20,000	\$ 33,750	\$ 36,736	\$ 2,986
Police miscellaneous	5,000	5,000	3,268	(1,732)
Cemetery cleanup donation	200	300	300	-
Brianna's Kindness Park donation	-	74,100	85,506	11,406
User fees	28,600	28,600	30,427	1,827
Playground equipment donations	150,000	-	-	-
Robert Reed Park donations	1,000	1,300	1,292	(8)
Health insurance - retirees	15,000	18,500	20,052	1,552
Recovered costs from water fund	100,000	100,000	100,000	-
Miscellaneous	14,200	16,575	48,731	32,156
Total miscellaneous	\$ 334,000	\$ 278,125	\$ 326,312	\$ 48,187
Total revenue from local sources	\$ 4,802,100	\$ 5,840,260	\$ 6,182,699	\$ 342,439

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home sales tax	\$ 5,000	\$ 8,500	\$ 7,519	\$ (981)
Auto rental tax	18,000	1,900	5,992	4,092
Personal property tax reimbursement	129,246	129,246	129,246	-
Communication taxes	95,000	95,000	79,851	(15,149)
Total noncategorical aid	\$ 247,246	\$ 234,646	\$ 222,608	\$ (12,038)
Categorical aid:				
Law enforcement grants	\$ 116,940	\$ 116,940	\$ 116,951	\$ 11
Fire department grant	10,000	10,000	15,000	5,000
Street and highway maintenance	714,878	727,482	728,145	663
Police grants	-	-	45,540	45,540
VA commission for the arts grant	4,500	4,500	4,500	-
Total categorical aid	\$ 846,318	\$ 858,922	\$ 910,136	\$ 51,214
Total revenue from the Commonwealth	\$ 1,093,564	\$ 1,093,568	\$ 1,132,744	\$ 39,176
Revenue from the Federal Government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 7,800	\$ 7,800	\$ 6,318	\$ (1,482)
Categorical aid:				
Police grants	\$ 22,800	\$ 35,767	\$ 21,985	\$ (13,782)
CARES Act grant	-	1,491,430	53,750	(1,437,680)
Total categorical aid	\$ 22,800	\$ 1,527,197	\$ 75,735	\$ (1,451,462)
Total revenue from the federal government	\$ 30,600	\$ 1,534,997	\$ 82,053	\$ (1,452,944)
Revenue from Other Financing Sources:				
Sale of capital assets	\$ 5,000	-	-	-
Total General Fund	\$ 5,931,264	\$ 8,468,825	\$ 7,397,496	\$ (1,071,329)
Special Revenue Funds:				
Trolley Fund:				
Revenue from local sources:				
Charges for services:				
Charges for transportation	\$ 4,000	\$ 1,500	\$ 1,724	\$ 224
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Trolley demo grant	\$ -	\$ -	\$ 28,667	\$ 28,667
Revenue from the Federal Government:				
Categorical aid:				
Trolley demo grant	\$ 58,230	\$ 58,230	\$ 44,182	\$ (14,048)
Total Trolley Fund	\$ 62,230	\$ 59,730	\$ 74,573	\$ 14,843
Total Special Revenue Funds	\$ 62,230	\$ 59,730	\$ 74,573	\$ 14,843
Total Primary Government	\$ 5,993,494	\$ 8,528,555	\$ 7,472,069	\$ (1,056,486)

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Mayor	\$ 4,800	\$ 4,800	\$ 4,800	\$ -
Town Council	23,040	23,040	23,040	-
Total legislative	\$ 27,840	\$ 27,840	\$ 27,840	\$ -
General and financial administration:				
Town office staff	\$ 387,658	\$ 424,646	\$ 424,646	\$ -
Overtime	2,700	2,700	-	2,700
Social security	29,862	29,862	33,180	(3,318)
Hospitalization	41,250	41,250	43,606	(2,356)
Unemployment	2,300	2,300	2,182	118
Retirement	44,077	44,077	50,653	(6,576)
VRS life insurance	2,640	2,640	2,740	(100)
Bank charges	16,000	21,000	20,336	664
Building administration expenses	100	100	-	100
Cleaning	16,000	16,000	15,837	163
Planning commission	100	100	-	100
Board of zoning appeals	50	50	-	50
Building permit surcharge	1,000	1,000	369	631
Board of building code appeal	50	50	-	50
Permit cloud service	-	5,000	-	5,000
Insurance	160,000	149,917	146,765	3,152
Auditing	25,000	30,000	31,750	(1,750)
Donations	14,350	14,350	12,600	1,750
Transfer to civic center	110,000	110,000	110,007	(7)
Tourism - 10% meals tax	110,000	121,570	135,593	(14,023)
ANPDC membership	7,000	7,000	7,000	-
Scholarship	2,000	2,000	-	2,000
Office supplies and publications	10,000	10,000	8,747	1,253
Office equipment and software maintenance	64,500	64,500	53,532	10,968
Postage	12,000	12,000	8,990	3,010
Tax bills and conversion	2,400	2,400	2,250	150
Gasoline and diesel	1,200	1,200	1,338	(138)
Vehicle maintenance	500	1,320	1,435	(115)
Travel and training	1,200	1,200	1,184	16
Mayor expense	300	300	214	86
Council's expense	1,000	1,000	880	120
Town manager's expense	500	500	300	200
Attorney/consultant	35,000	3,500	2,571	929
Drug and alcohol testing	2,000	2,000	2,080	(80)
Christmas dinner	2,500	2,500	1,000	1,500
Dues	2,000	2,000	2,000	-
Advertising and website	12,000	12,000	3,711	8,289
Building maintenance	12,000	12,000	5,793	6,207
Electricity	14,000	14,000	9,229	4,771
Heating oil and gas	4,800	4,800	3,908	892
Special projects	4,000	13,522	13,522	-

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
General and financial administration: (Continued)				
Deer de-pop program	\$ 300	\$ 300	\$ -	\$ 300
Telephone bills	29,500	29,500	25,374	4,126
Health insurance - retirees	37,300	71,484	72,407	(923)
Health insurance - others	22,000	22,000	18,199	3,801
Retiree prescription drug assistance	3,500	3,500	3,345	155
Miscellaneous	4,000	6,214	7,254	(1,040)
911 Addressing	500	500	1,070	(570)
Cemetery cleanup donation	200	200	95	105
Old firehouse maintenance	-	16,000	20,303	(4,303)
VA commission for the arts	9,000	9,000	9,000	-
Property acquisition reserve	9,345	9,345	-	9,345
Office equipment	8,000	8,000	-	8,000
CARES Act assistance	-	1,491,430	53,750	1,437,680
Council room equipment/furniture	10,000	10,000	1,267	8,733
New boiler - municipal building	10,000	10,000	6,591	3,409
Total general and financial administration	\$ 1,297,682	\$ 2,873,827	\$ 1,378,603	\$ 1,495,224
Total general government administration	\$ 1,325,522	\$ 2,901,667	\$ 1,406,443	\$ 1,495,224
Public safety:				
Law enforcement and traffic control:				
Salaries for officers	\$ 580,235	\$ 580,235	\$ 573,542	\$ 6,693
Overtime	9,800	15,000	16,894	(1,894)
Social security	48,730	48,730	43,902	4,828
Hospitalization	82,500	82,500	73,790	8,710
Retirement	67,498	67,498	63,468	4,030
VRS life insurance	3,756	3,756	3,433	323
Gasoline	18,000	18,000	23,764	(5,764)
Travel and training	19,000	19,000	6,242	12,758
Uniform allowance (Officer's)	8,100	8,100	6,754	1,346
Uniforms (Town)	3,000	3,000	2,525	475
Office supplies and equipment maintenance	10,000	5,000	4,645	355
Equipment repairs and supplies	7,500	7,500	6,981	519
Vehicle maintenance	6,000	6,000	6,251	(251)
Drug enforcement	5,000	1,000	-	1,000
Academy dues	7,500	7,500	7,014	486
Bicycle patrol	500	500	-	500
Community/youth programs	25,000	26,000	33,529	(7,529)
Grant funded expenditures	22,800	29,656	21,672	7,984
Ammunition	1,500	1,500	1,088	412
Cell phone allowance	3,200	3,200	3,100	100
Police Accreditation	1,900	1,900	169	1,731
Sundry	1,500	1,500	1,500	-
Patrol vehicle	45,000	45,000	44,459	541
Kevlar vests	1,500	1,500	1,061	439

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Radio repeater	\$ 10,000	\$ -	\$ -	\$ -
Fingerprint scanner	5,500	-	-	-
Computers and software	2,000	2,000	3,267	(1,267)
Software maintenance - cameras	6,500	6,500	3,000	3,500
Stancil recorder	12,000	-	-	-
Camera system - interrogation room	5,400	5,400	-	5,400
Other capital improvements	11,300	24,350	17,892	6,458
Total law enforcement and traffic control	\$ 1,032,219	\$ 1,021,825	\$ 969,942	\$ 51,883
Police Dispatch:				
Salaries for officers	\$ 193,000	\$ 193,000	\$ 195,858	\$ (2,858)
Overtime	2,700	650	558	92
Social security	15,008	15,008	13,858	1,150
Hospitalization	30,000	30,000	29,069	931
Retirement	16,069	16,069	17,547	(1,478)
VRS life insurance	962	962	949	13
Travel and training	2,500	-	-	-
Uniform allowance	1,200	1,200	1,347	(147)
Uniform (Town for dispatch)	650	79	79	-
Dispatch service agreement	12,000	12,000	12,000	-
Office supplies/equipment maintenance	14,500	14,500	16,292	(1,792)
Sundry	150	150	47	103
Total police dispatch	\$ 288,739	\$ 283,618	\$ 287,604	\$ (3,986)
Emergency Medical Services:				
Salaries	\$ 758,464	\$ 758,464	\$ 737,123	\$ 21,341
Overtime	88,039	88,039	54,436	33,603
Social security	64,758	64,758	57,522	7,236
Hospitalization	67,500	67,500	60,657	6,843
Retirement	56,255	56,255	62,026	(5,771)
VRS life insurance	3,890	3,890	2,743	1,147
Staff allowances	7,300	7,300	8,092	(792)
CVFC donation	21,000	30,390	31,496	(1,106)
VA Fire Programs/CVFC	10,000	10,000	15,000	(5,000)
Office supplies/equipment maintenance	1,500	1,500	528	972
Travel and training	1,500	1,500	368	1,132
Dues	500	500	330	170
EOC operations/training	3,000	3,000	2,825	175
VOLSAP	4,500	4,500	3,780	720
Total emergency medical services	\$ 1,088,206	\$ 1,097,596	\$ 1,036,926	\$ 60,670
Total public safety	\$ 2,409,164	\$ 2,403,039	\$ 2,294,472	\$ 108,567

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works:				
Administrative:				
Salaries	\$ 359,508	\$ 359,508	\$ 365,742	\$ (6,234)
Overtime	5,000	5,000	2,052	2,948
Social security	27,923	27,923	26,043	1,880
Hospitalization	64,445	64,445	46,806	17,639
Retirement	40,876	40,876	35,980	4,896
VRS life insurance	2,448	2,448	2,126	322
Seasonal décor and banners	2,000	2,000	3,021	(1,021)
Office supplies	400	400	344	56
Street maintenance	1,000	1,000	7,961	(6,961)
Street signs/911	150	150	-	150
Street lights	23,000	23,000	22,430	570
Gasoline and diesel	20,000	20,000	23,779	(3,779)
Oil/grease	1,100	1,100	892	208
Tools/shop	2,500	2,500	1,315	1,185
Travel and training	500	500	-	500
Clothing and uniforms	5,000	5,000	4,647	353
Building maintenance	3,600	3,600	1,650	1,950
Equipment repairs	18,000	18,000	11,462	6,538
Safety	500	500	285	215
Vehicle maintenance	300	300	187	113
Tires	2,000	2,000	2,068	(68)
Garage supplies	3,000	6,500	6,164	336
Vehicle repairs	6,000	7,000	6,985	15
Electricity	13,000	13,000	14,008	(1,008)
LP gas	1,500	1,850	1,744	106
Tipping fees	1,000	1,000	123	877
Sanitation service contracts	415,000	415,000	442,674	(27,674)
Miscellaneous	1,500	1,500	3,004	(1,504)
Vandalism	500	500	308	192
Boat ramp	-	11,871	23,742	(11,871)
Land use recovery	-	7,073	7,073	-
Vehicle	32,000	32,000	25,478	6,522
Playground equipment	192,000	-	-	-
Memorial Park - pier and ramp repair	-	4,254	4,254	-
DJ Amrien Center repairs	15,000	15,000	-	15,000
Memorial Park - drive and lots	-	55,000	-	55,000
Ocean Breeze road project	-	78,000	77,959	41
Bridge Tender House restoration	5,000	-	-	-
Public works fuel pump replacement	13,000	-	-	-
Resurface tennis and bball courts	30,000	96,444	75,511	20,933
Smith Street Park project	235,542	120,000	134,597	(14,597)
Total administrative	\$ 1,544,292	\$ 1,446,242	\$ 1,382,414	\$ 63,828

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Roads department:				
Salaries	\$ 116,068	\$ 116,068	\$ 112,141	\$ 3,927
Overtime	2,500	2,601	2,601	-
Social security	9,070	9,070	8,120	950
Hospitalization	16,904	17,918	24,037	(6,119)
Retirement	13,197	14,098	20,484	(6,386)
VRS life insurance	790	790	1,108	(318)
Snow removal	22,879	22,879	8,311	14,568
Pavement maintenance	400,000	400,000	400,375	(375)
Sidewalks and gutters	5,000	29,000	25,625	3,375
Roadside structures	750	750	319	431
Drainage maintenance	5,000	5,000	(385)	5,385
Traffic control operations	3,000	3,000	684	2,316
Traffic control devices	5,000	5,000	3,751	1,249
Vehicles/equipment	288	3,288	2,565	723
Electricity	60,000	60,000	59,037	963
Total roads department	\$ 660,446	\$ 689,462	\$ 668,773	\$ 20,689
Total public works	\$ 2,204,738	\$ 2,135,704	\$ 2,051,187	\$ 84,517
Health:				
Mosquito control:				
Salaries	\$ 37,243	\$ 37,243	\$ 33,090	\$ 4,153
Overtime	350	3,500	4,386	(886)
Social security	2,849	2,849	2,867	(18)
Insurance	6,500	7,750	7,750	-
Office supplies	20	20	-	20
Chemicals	50,000	50,000	22,436	27,564
Gasoline	4,000	4,000	3,719	281
Tools and small equipment	500	500	230	270
Contract spraying	20,800	20,800	30,580	(9,780)
Travel	100	100	31	69
Equipment repairs and maintenance	500	500	668	(168)
Vehicle maintenance	800	800	800	-
Sundry	100	100	23	77
Drainage projects	-	1,138	1,138	-
Total health	\$ 123,762	\$ 129,300	\$ 107,718	\$ 21,582
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation - various expenditures	\$ 30,000	\$ 126,000	\$ 103,804	\$ 22,196
Total parks, recreation and cultural	\$ 30,000	\$ 126,000	\$ 103,804	\$ 22,196
Debt service:				
Principal retirement	\$ 43,743	\$ 43,743	\$ 43,743	-
Interest and fiscal charges	5,969	5,969	5,969	-
Total debt service	\$ 49,712	\$ 49,712	\$ 49,712	-
Total General Fund	\$ 6,142,898	\$ 7,745,422	\$ 6,013,336	\$ 1,732,086

Governmental Funds

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Trolley Fund:				
Community Development:				
Salaries	\$ 39,144	\$ 39,144	\$ 28,796	\$ 10,348
Social security	2,995	2,995	2,199	796
Insurance	3,400	3,400	3,152	248
Advertising	1,175	1,175	1,153	22
Printing and reproduction	2,700	3,000	2,959	41
Fuel	7,000	7,000	4,747	2,253
Communication services	800	800	331	469
Cleaning supplies	200	200	-	200
Equipment repairs and maintenance	6,500	6,500	6,980	(480)
Supplies and materials	500	500	145	355
Tires and tubes	600	600	-	600
Parts	750	750	768	(18)
Drug and alcohol testing	1,400	1,400	565	835
Education and training	1,200	-	80	(80)
Rent expense	15,000	15,000	15,000	-
Membership dues	250	-	-	-
Travel	1,000	-	-	-
Uniforms	1,400	500	200	300
Total Trolley Fund	\$ 86,014	\$ 82,964	\$ 67,075	\$ 15,889
Total Special Revenue Fund	\$ 86,014	\$ 82,964	\$ 67,075	\$ 15,889
Total Primary Government	\$ 6,228,912	\$ 7,828,386	\$ 6,080,411	\$ 1,747,975

Statistical Tables

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Health	Parks Recreation and Cultural
2012-13	\$ 1,673,643	\$ 987,468	\$ 1,815,298	\$ 150,080	\$ 62,239
2013-14	1,647,063	1,090,139	987,050	106,701	125,722
2014-15	1,665,614	967,967	1,544,112	103,309	83,815
2015-16	1,742,824	1,357,709	1,811,561	141,865	14,296
2016-17	1,942,453	1,133,551	1,876,825	192,283	75,925
2017-18	1,956,442	1,039,067	1,719,243	165,676	48,941
2018-19	1,278,819	1,727,219	1,899,527	146,469	80,085
2019-20	1,284,077	1,895,028	1,851,070	121,510	47,467
2020-21	1,353,196	1,994,573	2,381,684	103,906	38,030
2021-22	1,385,796	2,145,821	2,050,313	107,718	124,780

Table 1

<u>Community Development</u>	<u>Interest on Debt</u>	<u>Water</u>	<u>Curtis Merritt Harbor</u>	<u>Total</u>
\$ 200,658	\$ 7,715	\$ 990,233	\$ 271,160	\$ 6,158,494
873,009	4,845	1,045,620	257,963	6,138,112
149,149	2,799	952,458	254,511	5,723,734
327,707	206	944,657	190,983	6,531,808
116,011	-	978,436	227,970	6,543,454
138,091	-	1,031,164	392,904	6,491,528
558,190	-	964,936	532,869	7,188,114
152,364	-	1,515,899	431,427	7,298,842
147,165	1,876	1,086,841	453,021	7,560,292
135,748	5,969	1,037,073	755,289	7,748,507

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2012-13	\$ 1,801,085	\$ 888,124	\$ 180,369
2013-14	1,714,263	879,295	537,999
2014-15	1,841,933	860,634	170,537
2015-16	1,785,292	926,130	207,380
2016-17	1,686,369	1,004,918	-
2017-18	2,021,422	898,987	48,131
2018-19	1,994,915	888,715	1,035,653
2019-20	1,872,671	898,490	604,213
2020-21	2,072,746	1,445,325	348,425
2021-22	2,180,531	1,058,720	90,371

Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs	Revenues from the Use of Money and Property	Miscellaneous	Total
\$ 847,876	\$ 2,046,326	\$ 318,578	\$ 31,329	\$ 156,868	\$ 6,270,555
872,343	2,196,011	325,817	35,745	169,570	\$ 6,731,043
876,354	2,406,663	262,236	72,575	188,562	6,679,494
869,552	2,647,320	404,166	62,462	221,423	7,123,725
865,807	2,826,013	257,874	60,871	210,122	6,911,974
875,086	2,856,532	271,404	67,601	251,921	7,291,084
865,887	2,998,922	268,442	127,388	240,698	8,420,620
897,332	2,677,539	245,801	112,759	255,572	7,564,377
945,065	3,690,730	239,500	30,991	358,773	9,131,555
956,994	4,359,866	228,926	61,601	326,902	9,263,911

TOWN OF CHINCOTEAGUE, VIRGINIA

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenues from the Use of Money and Property
2012-13	\$ 857,496	\$ 2,046,326	\$ 56,094	\$ 32,619	\$ 30,756
2013-14	873,378	2,196,011	42,016	34,650	33,290
2014-15	881,529	2,406,663	40,577	29,165	67,359
2015-16	873,494	2,647,320	54,087	53,932	55,012
2016-17	859,505	2,826,013	47,732	47,498	53,562
2017-18	873,058	2,856,532	56,052	61,996	59,529
2018-19	889,676	2,998,922	46,156	44,897	112,098
2019-20	892,864	2,677,539	37,080	51,274	95,125
2020-21	949,072	3,690,730	62,980	32,087	29,928
2021-22	947,617	4,359,866	45,290	27,395	60,392

(1) Includes General and Special Revenue Funds of the primary government.

Table 3

Charges for Services		Miscellaneous	Inter- governmental	Total
\$	378,144	\$ 156,868	\$ 1,321,071	\$ 4,879,374
	339,628	169,570	1,743,111	\$ 5,431,654
	417,536	188,562	1,293,407	5,324,798
	419,447	221,423	1,537,676	5,862,391
	419,747	229,791	1,262,792	5,746,640
	501,989	260,835	1,218,522	5,888,513
	401,050	237,702	2,099,060	6,829,561
	392,724	261,572	1,748,504	6,156,682
	401,429	587,633	1,923,183	7,677,042
	417,551	326,312	1,287,646	7,472,069

TOWN OF CHINCOTEAGUE, VIRGINIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Public Safety	Public Works	Health	Parks Recreation and Cultural
2012-13	\$ 1,568,076	\$ 963,688	\$ 1,768,671	\$ 150,080	\$ 18,699
2013-14	1,577,293	1,081,265	1,545,364	106,701	82,181
2014-15	1,647,750	970,609	1,487,677	103,309	129,679
2015-16	1,707,869	1,340,155	1,729,143	141,865	37,519
2016-17	1,884,717	1,115,799	1,812,717	199,883	36,973
2017-18	1,926,079	1,032,632	1,753,972	229,387	22,408
2018-19	1,268,993	1,838,259	2,435,679	146,469	83,267
2019-20	1,824,350	1,904,540	2,409,753	121,510	24,273
2020-21	1,336,082	1,990,664	2,962,238	103,906	17,054
2021-22	1,406,443	2,294,472	2,051,187	107,718	103,804

(1) Includes General and Special Revenue Funds of the primary government.

Table 4

Community Development		Debt Service		Total	
\$	286,563	\$	82,956	\$	4,838,733
	815,009		82,840	\$	5,290,653
	314,786		76,602		4,730,412
	612,357		34,855		5,603,763
	389,551		-		5,439,640
	84,378		-		5,048,856
	489,517		-		6,262,184
	83,691		-		6,368,117
	78,492		49,712		6,538,148
	67,075		49,712		6,080,411

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 968,566	\$ 914,758	94.44%	\$ 28,501	\$ 943,259	97.39%	\$ 47,614	4.92%
2013-14	979,583	935,795	95.53%	39,525	975,320	99.56%	47,520	4.85%
2014-15	974,701	945,178	96.97%	27,120	972,298	99.75%	50,166	5.15%
2015-16	990,406	967,532	97.69%	29,655	997,187	100.68%	40,681	4.11%
2016-17	991,528	965,055	97.33%	18,196	983,251	99.17%	48,270	4.87%
2017-18	1,003,738	980,014	97.64%	20,028	1,000,042	99.63%	50,204	5.00%
2018-19	1,004,904	985,267	98.05%	65,218	1,050,485	104.54%	30,301	3.02%
2019-20	1,010,041	980,277	98.05%	16,838	1,050,485	104.00%	40,454	4.01%
2020-21	1,047,653	1,008,743	97.05%	29,643	997,115	95.18%	27,305	2.61%
2021-22	1,093,752	1,044,244	95.47%	14,982	1,059,226	96.84%	34,651	3.17%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Public Service (2)	Mobile Homes	Total
2012-13	\$ 919,397,200	\$ 36,769,161	\$ 12,276,164	\$ 5,500,129	\$ 973,942,654
2013-14	922,922,700	37,800,840	12,080,080	5,381,671	978,185,291
2014-15	909,771,100	38,321,675	12,040,374	5,278,186	965,411,335
2015-16	915,073,300	39,732,541	12,167,820	5,147,357	972,121,018
2016-17	908,031,000	40,432,104	12,391,669	5,079,414	965,934,187
2017-18	915,807,500	42,407,580	12,376,369	4,977,420	975,568,869
2018-19	903,788,900	42,393,048	12,879,559	4,038,640	963,100,147
2019-20	914,124,100	42,160,105	12,794,436	4,032,914	973,111,555
2020-21	956,405,700	43,072,800	12,947,147	4,268,014	1,016,693,661
2021-22	961,880,800	48,076,572	12,523,785	4,311,500	1,026,792,657

(1) Real Estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Service	
				Real Estate	Personal Property
2012-13	\$ 0.07	\$ 0.85	\$ 0.07	\$ 0.07	0.85
2013-14	0.07	0.85	0.07	0.07	0.85
2014-15	0.07	0.85	0.07	0.07	0.85
2015-16	0.07	0.85	0.07	0.07	0.85
2016-17	0.07	0.85	0.07	0.07	0.85
2017-18	0.07	0.85	0.07	0.07	0.85
2018-19	0.07	0.85	0.07	0.07	0.85
2019-20	0.07	0.85	0.07	0.07	0.85
2020-21	0.07	0.85	0.07	0.07	0.85
2021-22	0.07	0.85	0.07	0.07	0.85

(1) Per \$100 of assessed value.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	2,941	\$ 973,942,654	\$ 2,102,503	\$ 2,102,503	0.22%	\$ 715
2013-14	2,941	978,185,291	1,732,174	1,732,174	0.18%	589
2014-15	2,941	965,411,335	1,354,372	1,354,372	0.14%	461
2015-16	2,941	972,121,018	1,043,743	1,043,743	0.11%	355
2016-17	2,941	965,934,187	786,707	786,707	0.08%	267
2017-18	2,941	975,568,869	1,409,429	1,409,429	0.14%	479
2018-19	2,941	963,100,147	1,220,617	1,220,617	0.13%	415
2019-20	2,941	973,111,555	965,301	965,301	0.10%	328
2020-21	3,328	1,016,693,661	715,843	715,843	0.07%	215
2021-22	3,328	1,026,792,657	626,658	626,658	0.06%	188

(1) Weldon Cooper Center for Public Service.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt.

Excludes revenue bonds, notes payable, and compensated absences.

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Compliance



**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 Chincoteague, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Chincoteague, Virginia's basic financial statements, and have issued our report thereon dated June 28, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chincoteague, Virginia's financial statements are free from 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 financial statements. 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 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

June 28, 2023