



TOWN OF ONANCOCK, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

TOWN OF ONANCOCK, VIRGINIA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

COUNCIL

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Joy Marino

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Ray Burger III

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OFFICIALS

William Kerbin, Town Manager

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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 Onancock, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Onancock, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Onancock, Virginia, as of June 30, 2019, 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.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB State No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-8, 51, and 52-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of the Town of Onancock, 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 Onancock, 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 the Town of Onancock, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
April 21, 2020

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As management of Town of Onancock, 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, 2019.

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 \$13,209,477 (net position). A majority of this amount, \$11,594,482, is invested in capital assets and is not available to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town reported a General Fund balance of \$1,152,597, an increase of \$312,917 from the prior year.
- The Town's total long-term obligations decreased from \$8,093,433 to \$7,613,304 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 are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to 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 outflows/inflows of resources with the difference between them 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, public works, and recreation activities.

Overview of the Financial Statements: (Continued)

The Government-wide financial statements include only the Town of Onancock, Virginia, itself (known as the primary government).

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Onancock, 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, the governmental fund financial statement focuses on near-term inflows and outflows of spendable resources, as well as on the 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 a total of two governmental funds. Of the two governmental funds, one is considered to be a major fund, the General Fund. The other governmental fund is the Housing Rehabilitation Fund, which is nonmajor.

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

Proprietary funds - The Town maintains one proprietary fund - the Water and Sewer 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 statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedule of pension funding progress.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,209,477 at the close of the most recent fiscal year.

Government-wide Financial Analysis: (Continued)

Town of Onancock, Virginia's Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 1,520,112 | \$ 1,378,046 | \$ 409,670 | \$ 372,226 | \$ 1,929,782 | \$ 1,750,272 |
| Capital assets | 2,052,134 | 2,134,251 | 17,011,136 | 17,491,431 | 19,063,270 | 19,625,682 |
| Total assets | \$ 3,572,246 | \$ 3,512,297 | \$ 17,420,806 | \$ 17,863,657 | \$ 20,993,052 | \$ 21,375,954 |
| Deferred outflows of resources | \$ 144,820 | \$ 207,468 | \$ 86,421 | \$ 116,743 | \$ 231,241 | \$ 324,211 |
| Total assets and deferred outflows of resources | \$ 3,717,066 | \$ 3,719,765 | \$ 17,507,227 | \$ 17,980,400 | \$ 21,224,293 | \$ 21,700,165 |
| Current liabilities | \$ 82,670 | \$ 91,486 | \$ 483,478 | \$ 710,727 | \$ 566,148 | \$ 802,213 |
| Long-term liabilities | 394,410 | 446,357 | 7,015,298 | 7,475,883 | 7,409,708 | 7,922,240 |
| Total liabilities | \$ 477,080 | \$ 537,843 | \$ 7,498,776 | \$ 8,186,610 | \$ 7,975,856 | \$ 8,724,453 |
| Deferred inflows of resources | \$ 23,568 | \$ 36,084 | \$ 15,392 | \$ 30,960 | \$ 38,960 | \$ 67,044 |
| Net position: | | | | | | |
| Net investment in capital assets | \$ 1,964,675 | \$ 2,017,192 | \$ 9,629,807 | \$ 9,686,724 | \$ 11,594,482 | \$ 11,703,916 |
| Unrestricted | 1,251,743 | 1,128,646 | 363,252 | 76,106 | 1,614,995 | 1,204,752 |
| Total net position | \$ 3,216,418 | \$ 3,145,838 | \$ 9,993,059 | \$ 9,762,830 | \$ 13,209,477 | \$ 12,908,668 |
| Total liabilities, deferred inflows of resources and net position | \$ 3,717,066 | \$ 3,719,765 | \$ 17,507,227 | \$ 17,980,400 | \$ 21,224,293 | \$ 21,700,165 |

A large part of the Town's net position, \$11,594,482 reflects its investment in capital assets (e.g., land, buildings and improvements, 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 \$70,580 and business-type activities increased net position by \$230,229. Key elements of these changes are as follows:

| For the Years Ended June 30, 2019 and 2018 | | | | | | |
|--|----------------------------|--------------|-----------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Totals | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 246,784 | \$ 279,475 | \$ 1,246,115 | \$ 1,190,191 | \$ 1,492,899 | \$ 1,469,666 |
| Operating grants and contributions | 56,760 | 58,158 | - | - | 56,760 | 58,158 |
| Capital grants and contributions | 108,560 | 189,743 | 199,973 | - | 308,533 | 189,743 |
| General revenues: | | | | | | |
| General property taxes | 493,412 | 508,046 | - | - | 493,412 | 508,046 |
| Other local taxes | 428,049 | 388,855 | - | - | 428,049 | 388,855 |
| Other general revenues | 197,328 | 190,223 | 15,934 | 7,597 | 213,262 | 197,820 |
| Total revenues | \$ 1,530,893 | \$ 1,614,500 | \$ 1,462,022 | \$ 1,197,788 | \$ 2,992,915 | \$ 2,812,288 |
| Expenses: | | | | | | |
| General government administration | \$ 439,012 | \$ 413,815 | \$ - | \$ - | \$ 439,012 | \$ 413,815 |
| Public safety | 394,527 | 431,419 | - | - | 394,527 | 431,419 |
| Public works | 242,127 | 230,893 | - | - | 242,127 | 230,893 |
| Parks, recreation, and cultural | 327,598 | 162,004 | - | - | 327,598 | 162,004 |
| Interest and other fiscal charges | 4,213 | 5,325 | - | - | 4,213 | 5,325 |
| Water and Sewer Fund | - | - | 1,284,629 | 1,233,602 | 1,284,629 | 1,233,602 |
| Total expenses | \$ 1,407,477 | \$ 1,243,455 | \$ 1,284,629 | \$ 1,233,602 | \$ 2,692,106 | \$ 2,477,057 |
| Transfers in (out) | (52,836) | - | 52,836 | - | - | - |
| Increase/(decrease) in net position | \$ 70,580 | \$ 371,045 | \$ 230,229 | \$ (35,814) | \$ 300,809 | \$ 335,231 |
| Net position, beginning | 3,145,838 | 2,774,793 | 9,762,830 | 9,798,644 | 12,908,668 | 12,573,437 |
| Net position, ending | \$ 3,216,418 | \$ 3,145,838 | \$ 9,993,059 | \$ 9,762,830 | \$ 13,209,477 | \$ 12,908,668 |

Financial Analysis of the Town's Funds

As noted earlier, the Town uses 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. At June 30, 2019, the Town's fund balances total \$1,152,597, as the balance increased \$167,092 during the fiscal year.

General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$1,587,255 and expenditures of \$1,588,754 (reference exhibit 9). Actual General Fund revenues totaled \$1,541,176 which was \$46,079 less than the final budget. General Fund expenditures totaled \$1,321,248 and were less than final budget amounts by \$267,506. Overall general revenues exceeded expenditures by \$219,928, reference Exhibit 9.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets (net of related debt) for its governmental activities as of June 30, 2019 totals \$1,964,675 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. The Town's investment in capital assets for the current fiscal year decreased by \$52,517. Net capital assets for the business-type activities decreased by \$56,917.

Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Debt

During the year, the Town decreased its business-type activities obligations by \$434,108. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 5 to the financial statements.

Contact the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Onancock, 15 North Street, Onancock, Virginia 23417.

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2019

| | Primary Government | | |
|---|----------------------------|---------------------------------|---------------|
| | Governmental Activities | Business- type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 296,333 | \$ - | \$ 296,333 |
| Cash and cash equivalents - restricted | 780,222 | 722,832 | 1,503,054 |
| Receivables (net of allowance for uncollectibles): | | | |
| Property taxes | 69,710 | - | 69,710 |
| Accounts receivable | 17,735 | 26,891 | 44,626 |
| Prepaid items | 16,059 | - | 16,059 |
| Internal balances | 340,053 | (340,053) | - |
| Total Current Assets | \$ 1,520,112 | \$ 409,670 | \$ 1,929,782 |
| Noncurrent Assets: | | | |
| Capital assets (net of depreciation): | | | |
| Land | \$ 908,494 | \$ - | \$ 908,494 |
| Buildings and improvements | 469,701 | 3,558,903 | 4,028,604 |
| Machinery and equipment | 39,954 | 56,282 | 96,236 |
| Infrastructure | 633,985 | 13,395,951 | 14,029,936 |
| Total Capital Assets (net of accumulated depreciation) | \$ 2,052,134 | \$ 17,011,136 | \$ 19,063,270 |
| Total Noncurrent Assets | \$ 2,052,134 | \$ 17,011,136 | \$ 19,063,270 |
| Total Assets | \$ 3,572,246 | \$ 17,420,806 | \$ 20,993,052 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 141,583 | \$ 84,535 | \$ 226,118 |
| OPEB related items | 3,237 | 1,886 | 5,123 |
| Total Deferred Outflows of Resources | \$ 144,820 | \$ 86,421 | \$ 231,241 |
| Total Assets and Deferred Outflows of Resources | \$ 3,717,066 | \$ 17,507,227 | \$ 21,224,293 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 44,674 | \$ 22,759 | \$ 67,433 |
| Accrued interest payable | - | 7,513 | 7,513 |
| Unearned revenue - current portion | 6,850 | 26,070 | 32,920 |
| Current portion of long-term obligations | 31,146 | 427,136 | 458,282 |
| Total Current Liabilities | \$ 82,670 | \$ 483,478 | \$ 566,148 |
| Noncurrent Liabilities: | | | |
| Unearned revenue - long-term portion | \$ 246,600 | \$ 8,086 | \$ 254,686 |
| Noncurrent portion of long-term obligations | 147,810 | 7,007,212 | 7,155,022 |
| Total Noncurrent Liabilities | \$ 394,410 | \$ 7,015,298 | \$ 7,409,708 |
| Total Liabilities | \$ 477,080 | \$ 7,498,776 | \$ 7,975,856 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension related items | \$ 19,776 | \$ 13,184 | \$ 32,960 |
| OPEB related items | 3,792 | 2,208 | 6,000 |
| Total Deferred Inflows of Resources | \$ 23,568 | \$ 15,392 | \$ 38,960 |
| NET POSITION | | | |
| Net investment in capital assets | \$ 1,964,675 | \$ 9,629,807 | \$ 11,594,482 |
| Unrestricted assets | 1,251,743 | 363,252 | 1,614,995 |
| Total Net Position | \$ 3,216,418 | \$ 9,993,059 | \$ 13,209,477 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 3,717,066 | \$ 17,507,227 | \$ 21,224,293 |

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

TOWN OF ONANCOCK, VIRGINIA

Statement of Activities
Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|--|--------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government administration | \$ 439,012 | \$ 275 | \$ - | \$ - |
| Public safety | 394,527 | 13,959 | 54,226 | - |
| Public works | 242,127 | 72,417 | 1,034 | - |
| Parks, recreation and cultural | 327,598 | 160,133 | 1,500 | 108,560 |
| Interest and other fiscal charges | 4,213 | - | - | - |
| Total governmental activities | \$ 1,407,477 | \$ 246,784 | \$ 56,760 | \$ 108,560 |
| Business-type activities: | | | | |
| Water and Sewer | 1,284,629 | 1,246,115 | - | 199,973 |
| Total primary government | \$ 2,692,106 | \$ 1,492,899 | \$ 56,760 | \$ 308,533 |
| General revenues: | | | | |
| General property taxes | | | | |
| Local sales and use taxes | | | | |
| Consumers utility taxes | | | | |
| Meals taxes | | | | |
| Business license taxes | | | | |
| Bank franchise taxes | | | | |
| Other local taxes | | | | |
| Unrestricted revenues from use of money and property | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position - beginning | | | | |
| Net position - ending | | | | |

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 | | |
| Governmental Activities | Business- type Activities | Total |
| \$ (438,737) | \$ - | \$ (438,737) |
| (326,342) | - | (326,342) |
| (168,676) | - | (168,676) |
| (57,405) | - | (57,405) |
| (4,213) | - | (4,213) |
| \$ (995,373) | \$ - | \$ (995,373) |
| - | 161,459 | 161,459 |
| \$ (995,373) | \$ 161,459 | \$ (833,914) |
| \$ 493,412 | \$ - | \$ 493,412 |
| 77,255 | - | 77,255 |
| 54,710 | - | 54,710 |
| 174,304 | - | 174,304 |
| 42,991 | - | 42,991 |
| 37,922 | - | 37,922 |
| 40,867 | - | 40,867 |
| 19,613 | 15,934 | 35,547 |
| 152,663 | - | 152,663 |
| 25,052 | - | 25,052 |
| (52,836) | 52,836 | - |
| \$ 1,065,953 | \$ 68,770 | \$ 1,134,723 |
| \$ 70,580 | \$ 230,229 | \$ 300,809 |
| 3,145,838 | 9,762,830 | 12,908,668 |
| \$ 3,216,418 | \$ 9,993,059 | \$ 13,209,477 |

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Fund Financial Statements

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Balance Sheet - Governmental Funds

June 30, 2019

| | General Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 296,333 | \$ - | \$ 296,333 |
| Cash and cash equivalents - restricted | 780,222 | - | 780,222 |
| Receivables (Net of allowance for uncollectibles): | | | |
| Taxes, including penalties | 69,710 | - | 69,710 |
| Accounts | 17,735 | - | 17,735 |
| Due from other funds | 340,053 | - | 340,053 |
| Prepaid items | 16,059 | - | 16,059 |
| Total assets | <u>\$ 1,520,112</u> | <u>\$ -</u> | <u>\$ 1,520,112</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 44,674 | \$ - | \$ 44,674 |
| Unearned revenue | 253,450 | - | 253,450 |
| Due to other funds | - | - | - |
| Total liabilities | <u>\$ 298,124</u> | <u>\$ -</u> | <u>\$ 298,124</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | \$ 69,391 | \$ - | \$ 69,391 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | \$ 16,059 | \$ - | \$ 16,059 |
| Unassigned | 1,136,538 | - | 1,136,538 |
| Total fund balances | <u>\$ 1,152,597</u> | <u>\$ -</u> | <u>\$ 1,152,597</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,520,112</u> | <u>\$ -</u> | <u>\$ 1,520,112</u> |

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

Total fund balances for governmental funds (see above) \$ 1,152,597

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | | |
|----------------------------|----------------|-----------|
| Land | \$ 908,494 | |
| Buildings and improvements | 469,701 | |
| Machinery and equipment | 39,954 | |
| Infrastructure | <u>633,985</u> | 2,052,134 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds

Unavailable revenue - property taxes 69,391

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

| | | |
|-----------------------|--------------|---------|
| Pension related items | \$ 141,583 | |
| OPEB related items | <u>3,237</u> | 144,820 |

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

| | | |
|-----------------------|-----------------|-----------|
| Notes payable | \$ (87,459) | |
| Compensated absences | (30,763) | |
| Net pension liability | (31,039) | |
| Net OPEB liability | <u>(29,695)</u> | (178,956) |

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|-----------------------|----------------|----------|
| Pension related items | \$ (19,776) | |
| OPEB related items | <u>(3,792)</u> | (23,568) |

Total net position of government activities \$ 3,216,418

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2019

| | General Fund | Other Governmental Funds | Total |
|--|-----------------|--------------------------------|--------------|
| Revenues: | | | |
| General property taxes | \$ 503,696 | \$ - | \$ 503,696 |
| Other local taxes | 428,049 | - | 428,049 |
| Permits, privilege fees and regulatory licenses | 275 | - | 275 |
| Fines and forfeitures | 13,959 | - | 13,959 |
| Revenue from use of money and property | 19,613 | - | 19,613 |
| Charges for services | 232,550 | - | 232,550 |
| Miscellaneous | 25,051 | - | 25,051 |
| Intergovernmental: | | | |
| Commonwealth | 311,809 | - | 311,809 |
| Federal | 6,174 | - | 6,174 |
| Total revenues | \$ 1,541,176 | \$ - | \$ 1,541,176 |
| Expenditures: | | | |
| Current: | | | |
| General government administration | \$ 383,478 | \$ - | \$ 383,478 |
| Public safety | 363,321 | - | 363,321 |
| Public works | 200,047 | - | 200,047 |
| Parks, recreation and cultural | 309,745 | - | 309,745 |
| Nondepartmental | 30,844 | - | 30,844 |
| Debt service: | | | |
| Principal retirement | 29,600 | - | 29,600 |
| Interest and other fiscal charges | 4,213 | - | 4,213 |
| Total expenditures | \$ 1,321,248 | \$ - | \$ 1,321,248 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 219,928 | \$ - | \$ 219,928 |
| Other financing sources (uses): | | | |
| Transfers in | \$ 92,989 | \$ - | \$ 92,989 |
| Transfers out | - | (145,825) | (145,825) |
| Total other financing sources (uses) | \$ 92,989 | \$ (145,825) | \$ (52,836) |
| Net change in fund balances | \$ 312,917 | \$ (145,825) | \$ 167,092 |
| Fund balances, at beginning of year | 839,680 | 145,825 | 985,505 |
| Fund balances, at end of year | \$ 1,152,597 | \$ - | \$ 1,152,597 |

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2019

| | | <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 | \$ | 167,092 |
| 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 depreciation exceeded capital outlays in the current period. | | |
| Capital outlay | \$ 11,366 | |
| Depreciation expense | <u>(93,483)</u> | (82,117) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | (10,284) |
| The issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governments funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and relate items. | | |
| Principal repayments | | 29,600 |
| 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 | \$ (6,066) | |
| Pension expense | (30,280) | |
| OPEB expense | <u>2,635</u> | (33,711) |
| Change in net position of governmental activities | \$ | <u><u>70,580</u></u> |

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

Statement of Net Position
Proprietary Fund
June 30, 2019

| | Enterprise Fund Water and Sewer Fund |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents - restricted debt service | 722,832 |
| Accounts receivable, net of allowance for uncollectibles | 26,891 |
| Total current assets | \$ 749,723 |
| Noncurrent assets: | |
| Capital assets (net of accumulated depreciation): | |
| Buildings and improvements | \$ 3,558,903 |
| Machinery and equipment | 56,282 |
| Infrastructure | 13,395,951 |
| Total capital assets (net of accumulated depreciation) | \$ 17,011,136 |
| Total noncurrent assets | \$ 17,011,136 |
| Total assets | \$ 17,760,859 |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Pension related items | \$ 84,535 |
| OPEB related items | 1,886 |
| Total deferred outflows of resources | \$ 86,421 |
| Total assets and deferred outflows of resources | \$ 17,847,280 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 22,759 |
| Accrued interest payable | 7,513 |
| Due to other funds | 340,053 |
| Unearned revenue - current portion | 26,070 |
| Bonds and note payable - current portion | 425,373 |
| Compensated absences - current portion | 1,763 |
| Total current liabilities | \$ 823,531 |
| Noncurrent liabilities: | |
| Unearned revenue - net of current portion | \$ 8,086 |
| Bonds and note payable - net of current portion | 6,955,956 |
| Compensated absences - net of current portion | 15,865 |
| Net pension liability | 18,087 |
| Net OPEB liability | 17,304 |
| Total noncurrent liabilities | \$ 7,015,298 |
| Total liabilities | \$ 7,838,829 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Pension related items | \$ 13,184 |
| OPEB related items | 2,208 |
| Total deferred inflows of resources | \$ 15,392 |
| NET POSITION | |
| Net investment in capital assets | \$ 9,629,807 |
| Unrestricted | 363,252 |
| Total net position | \$ 9,993,059 |
| Total liabilities, deferred inflows of resources and net position | \$ 17,847,280 |

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

Statement of Revenues, Expenses and Change in Net Position
 Proprietary Fund
 Year Ended June 30, 2019

| | Enterprise Fund Water and Sewer Fund |
|--|---|
| Operating revenues: | |
| Charges for water services | \$ 323,761 |
| Charges for sewer services | 903,625 |
| Penalties | 16,469 |
| Miscellaneous | 2,260 |
| Total operating revenues | \$ 1,246,115 |
| Operating expenses: | |
| Water: | |
| Personnel services | \$ 76,891 |
| Benefits | 29,432 |
| Contractual services | 27,188 |
| Other charges | 48,763 |
| Total water operating expenses | \$ 182,274 |
| Sewer: | |
| Personnel services | \$ 175,836 |
| Benefits | 68,964 |
| Contractual services | 117,503 |
| Other charges | 146,264 |
| Total sewer operating expenses | \$ 508,567 |
| Other operating expenses: | |
| Depreciation | \$ 496,088 |
| Total other operating expenses | \$ 496,088 |
| Total operating expenses | \$ 1,186,929 |
| Net operating income (loss) | \$ 59,186 |
| Nonoperating revenues (expenses): | |
| Interest income | \$ 15,934 |
| Interest expense | (97,700) |
| State and federal grants | 199,973 |
| Total nonoperating revenues (expenses) | \$ 118,207 |
| Transfers in | 52,836 |
| Change in net position | \$ 230,229 |
| Net position - beginning | \$ 9,762,830 |
| Net position - ending | \$ 9,993,059 |

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

| | <u>Enterprise Fund Water and Sewer Fund</u> |
|--|---|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 999,035 |
| Payments to employees (including fringe benefits) | (347,101) |
| Payments for operating activities | <u>(388,087)</u> |
| Net cash provided by (used for) operating activities | \$ <u>263,847</u> |
| Cash flows from capital and related financing activities: | |
| Retirement of indebtedness | \$ (423,378) |
| State and federal grants | 199,973 |
| Purchase of capital assets | (15,793) |
| Interest expense | <u>(97,700)</u> |
| Net cash provided by (used for) capital and related financing activities | \$ <u>(336,898)</u> |
| Cash flows from noncapital financing activities: | |
| Transfers in | \$ <u>52,836</u> |
| Net cash provided by (used for) noncapital financing activities | \$ <u>52,836</u> |
| Cash flows from investing activities: | |
| Interest income | \$ <u>15,934</u> |
| Increase (decrease) in cash and cash equivalents | \$ (4,281) |
| Cash and cash equivalents at beginning of year | <u>727,113</u> |
| Cash and cash equivalents at end of year | \$ <u><u>722,832</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ 59,186 |
| Adjustments to reconcile operating income (loss) to net cash provided provided by (used for) operating activities: | |
| Depreciation | 496,088 |
| Changes in operating activities: | |
| (Increase) decrease in accounts receivable | 193 |
| (Increase) decrease in deferred outflows of resources | 30,321 |
| Increase (decrease) in accounts payable | (6,450) |
| Increase (decrease) in due to other funds | (41,919) |
| Increase (decrease) in unearned revenue | (247,273) |
| Increase (decrease) in compensated absences | 2,233 |
| Increase (decrease) in net pension liability | (12,995) |
| Increase (decrease) in net OPEB liability | 31 |
| Increase (decrease) in deferred inflows of resources | <u>(15,568)</u> |
| Net cash provided by (used for) operating activities | \$ <u><u>263,847</u></u> |

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Town of Onancock, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

Financial Statement Presentation

Management's Discussion and Analysis: GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town'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 Town'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. For the most part, 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 the financial position of the primary government (governmental and business-type activities). 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 Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Town'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.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

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

Financial Statement Presentation: (Continued)

Statement of Activities (Continued)

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

A. 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 basic 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 its reporting entity. These financial statements present Town of Onancock, Virginia.

B. 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.

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.

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

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

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

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The special revenue fund consists of the Housing Rehabilitation Fund which is considered to be a nonmajor fund.

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 and Sewer Fund which is considered a major fund.

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

C. Budgets and Budgetary Accounting

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

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

D. 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.

E. 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.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "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).

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. At June 30, 2019, the allowance for uncollectible general property taxes totaled \$50,557 and \$43,323 for water and sewer receivables.

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

G. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and a life greater than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was zero interest attributable to capitalized assets at June 30, 2019.

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

| | |
|----------------------------|----------|
| Buildings and Improvements | 40 |
| Machinery and equipment | 5 to 10 |
| Infrastructure | 20 to 50 |

H. 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. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, 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.

I. Use of Estimates

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

J. 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.

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

K. 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 (Town Council); 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).

L. Net Position

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

M. Net Position Flow Assumption

Sometimes the 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.

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

N. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two 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 is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. Pensions

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

P. 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' net fiduciary 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.

Q. Adoption of Accounting Principles

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 2—PROPERTY TAXES RECEIVABLE:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The Town bills and collects its own property taxes.

NOTE 3—DEPOSITS:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

| Town's Rated Debt Investment's Value | |
|--------------------------------------|----------------------|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| VML/VACO Virginia Investment Pool | \$ 934,232 |
| Total | \$ 934,232 |

Interest Rate Risk

| Investment Maturities (in years) | | |
|----------------------------------|------------|---------------------|
| Investment Type | Fair Value | Less Than 1 Year |
| Virginia Investment Pool | \$ 934,232 | \$ 934,232 |
| Total | \$ 934,232 | \$ 934,232 |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 3—DEPOSITS: (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above VML/VACO Investment Pool Investment at the net asset value (NAV). There are no withdrawal limitations or restrictions.

Restricted Cash

The Town has the following restricted cash at June 30, 2019:

| | <u>Governmental Activities General Fund</u> | <u>Business-type Activities Water and Sewer Fund</u> | <u>Total</u> |
|-----------------------------|---|--|--------------|
| Restricted: Debt Service | \$ 780,222 | \$ 722,832 | \$ 1,503,054 |

NOTE 4—CAPITAL ASSETS:

The following is a summary of changes of governmental activities capital assets for the fiscal year ended June 30, 2019:

| | <u>Balance July 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2019</u> |
|---|---------------------------------|------------------|------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 908,494 | \$ - | \$ - | \$ 908,494 |
| Construction in progress | 7,442 | 11,366 | 18,808 | - |
| Total capital assets not being depreciated | \$ 915,936 | \$ 11,366 | \$ 18,808 | \$ 908,494 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 1,123,031 | \$ - | \$ - | \$ 1,123,031 |
| Machinery and equipment | 582,821 | 18,808 | - | 601,629 |
| Infrastructure | 1,654,851 | - | - | 1,654,851 |
| Total capital assets being depreciated | \$ 3,360,703 | \$ 18,808 | \$ - | \$ 3,379,511 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 621,681 | \$ 31,649 | \$ - | \$ 653,330 |
| Machinery and equipment | 534,885 | 26,790 | - | 561,675 |
| Infrastructure | 985,822 | 35,044 | - | 1,020,866 |
| Total accumulated depreciation | \$ 2,142,388 | \$ 93,483 | \$ - | \$ 2,235,871 |
| Total capital assets being depreciated, net | \$ 1,218,315 | \$ (74,675) | \$ - | \$ 1,143,640 |
| Net capital assets | \$ 2,134,251 | \$ (63,309) | \$ 18,808 | \$ 2,052,134 |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes of business-type activities capital assets for the fiscal year ended June 30, 2019:

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|-------------------------|--------------|-----------|--------------------------|
| Business-type Activities: | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 5,284,540 | \$ - | \$ - | \$ 5,284,540 |
| Machinery and equipment | 2,009,297 | 15,793 | - | 2,025,090 |
| Infrastructure | 16,138,995 | - | - | 16,138,995 |
| Total capital assets being depreciated | \$ 23,432,832 | \$ 15,793 | \$ - | \$ 23,448,625 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,589,675 | \$ 135,962 | \$ - | \$ 1,725,637 |
| Machinery and equipment | 1,948,469 | 20,339 | - | 1,968,808 |
| Infrastructure | 2,403,257 | 339,787 | - | 2,743,044 |
| Total accumulated depreciation | \$ 5,941,401 | \$ 496,088 | \$ - | \$ 6,437,489 |
| Total capital assets being depreciated, net | \$ 17,491,431 | \$ (480,295) | \$ - | \$ 17,011,136 |
| Net capital assets | \$ 17,491,431 | \$ (480,295) | \$ - | \$ 17,011,136 |

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | |
|-----------------------------------|-----------|
| General government administration | \$ 10,199 |
| Public safety | 14,458 |
| Public works | 39,607 |
| Recreation | 29,219 |
| Total governmental activities | \$ 93,483 |

Business-type activities:

| | |
|--------------------------------|------------|
| Water and sewer | \$ 496,088 |
| Total business-type activities | \$ 496,088 |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Town for the fiscal year ended June 30, 2019:

| | <u>Balance</u> <u>July 1, 2018</u> | <u>Issuances/</u> <u>Increases</u> | <u>Retirements/</u> <u>Decreases</u> | <u>Balance</u> <u>June 30, 2019</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|---------------------------------------|---|--|--|
| Governmental Activities | | | | | |
| Direct borrowings and direct placements: | | | | | |
| Notes payable | \$ 117,059 | \$ - | \$ 29,600 | \$ 87,459 | \$ 28,070 |
| Compensated absences | 24,697 | 11,005 | 4,939 | 30,763 | 3,076 |
| Net pension liability | 53,494 | 124,298 | 146,753 | 31,039 | - |
| Net OPEB liability | <u>29,727</u> | <u>5,060</u> | <u>5,092</u> | <u>29,695</u> | <u>-</u> |
| Total Governmental Activities | <u>\$ 224,977</u> | <u>\$ 140,363</u> | <u>\$ 186,384</u> | <u>\$ 178,956</u> | <u>\$ 31,146</u> |
| Business-type Activities | | | | | |
| Direct borrowings and direct placements: | | | | | |
| General obligation bonds | \$ 7,804,707 | \$ - | \$ 423,378 | \$ 7,381,329 | \$ 425,373 |
| Compensated absences | 15,394 | 5,313 | 3,079 | 17,628 | 1,763 |
| Net pension liability | 31,082 | 72,487 | 85,482 | 18,087 | - |
| Net OPEB liability | <u>17,273</u> | <u>2,971</u> | <u>2,940</u> | <u>17,304</u> | <u>-</u> |
| Total Business-type Activities | <u>\$ 7,868,456</u> | <u>\$ 80,771</u> | <u>\$ 514,879</u> | <u>\$ 7,434,348</u> | <u>\$ 427,136</u> |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (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 | |
|----------------------------|---|----------|--------------------------|--------------|
| | Direct Borrowings and Direct Placements | | | |
| | | | General | |
| | Notes Payable | | Obligation Bonds | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 28,070 | \$ 3,001 | \$ 425,373 | \$ 95,702 |
| 2021 | 24,828 | 1,954 | 427,437 | 93,639 |
| 2022 | 25,852 | 929 | 384,569 | 91,507 |
| 2023 | 8,709 | 74 | 386,772 | 89,304 |
| 2024 | - | - | 389,048 | 87,028 |
| 2025 | - | - | 391,400 | 84,676 |
| 2026 | - | - | 393,831 | 82,245 |
| 2027 | - | - | 396,342 | 79,733 |
| 2028 | - | - | 398,939 | 77,137 |
| 2029 | - | - | 401,622 | 74,454 |
| 2030 | - | - | 404,396 | 71,680 |
| 2031 | - | - | 191,143 | 68,814 |
| 2032 | - | - | 194,106 | 65,850 |
| 2033 | - | - | 197,170 | 62,787 |
| 2034 | - | - | 200,336 | 59,620 |
| 2035 | - | - | 203,610 | 56,347 |
| 2036 | - | - | 206,995 | 52,962 |
| 2037 | - | - | 210,495 | 49,462 |
| 2038 | - | - | 208,000 | 45,844 |
| 2039 | - | - | 118,218 | 42,102 |
| 2040 | - | - | 122,087 | 38,233 |
| 2041 | - | - | 126,088 | 34,232 |
| 2042 | - | - | 130,226 | 30,094 |
| 2043 | - | - | 134,505 | 25,815 |
| 2044 | - | - | 138,931 | 21,389 |
| 2045 | - | - | 143,508 | 16,812 |
| 2046 | - | - | 148,243 | 12,077 |
| 2047 | - | - | 137,319 | 7,187 |
| 2048 | - | - | 98,280 | 3,685 |
| 2049 | - | - | 72,342 | 976 |
| Total | \$ 87,459 | \$ 5,958 | \$ 7,381,331 | \$ 1,621,393 |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations at June 30, 2019 are as follows:

Governmental Activities Obligations:

Direct Borrowings and Direct Placements:

Notes Payable:

Note payable, USDA Rural Development, payable in 60 monthly installments of \$586 through December 2019, interest at 4.125% \$ 4,082

Note payable, BB&T, payable in monthly installments of \$2,232 through October 2022, interest at 4.050% 83,377

Total Notes Payable \$ 87,459

Compensated Absences 30,763

Net Pension Liability 31,039

Net OPEB Liability 29,695

Total Governmental Activities Obligations \$ 178,956

Business-type Activities Obligations:

Direct Borrowings and Direct Placements:

General Obligation Bonds:

\$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00% \$ 90,000

\$1,070,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125% 920,881

\$47,000 USDA Rural Development General Obligation Water Bond issued dated April 25, 2006, payable in quarterly installments of \$614 through October 2046, interest at 4.125% 40,443

\$2,989,099 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2038, interest at 0.00% 1,886,983

\$5,032,725 Virginia Resources Authority General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00% 2,377,314

\$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27, 2009, payable in quarterly installments of \$25,491 beginning June 27, 2011 through March 2049, interest at 2.75% 2,065,710

Total General Obligation Bonds \$ 7,381,331

Compensated Absences 17,628

Net Pension Liability 18,087

Net OPEB Liability 17,304

Total Business-type Activities Obligations \$ 7,434,350

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 6—UNEARNED/UNAVAILABLE REVENUE:

Unearned/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. Unavailable/unearned revenue is comprised of the following:

Unavailable Property Tax Revenue - Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$69,391 at June 30, 2019.

Unearned Revenue Governmental Funds - The Town has received a payment in the amount of \$274,000 for use of a water tower for 40 years. At June 30, 2019, the current portion of unearned revenue is \$6,850 and the long-term portion is \$246,600.

Unearned Revenue Proprietary Funds - The Town has received funds from the state and federal government to aid in funding for the wastewater treatment plant. The Town has also received prepayments on customer accounts. These amounts total \$34,156 at June 30, 2019.

NOTE 7—DUE TO / FROM OTHER FUNDS:

Interfund receivables and payables at year end are as follows:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|-----------------|-------------------|----------------|
| Water and Sewer | \$ - | \$ 340,053 |
| General | 340,053 | - |
| Total | \$ 340,053 | \$ 340,053 |

NOTE 8—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town and (nonprofessional) employees of public school divisions 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.

NOTE 8—PENSION PLAN: (CONTINUED)

Benefit Structures

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 hired 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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 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 creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. 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.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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 creditable service 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 creditable service 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.

Employees Covered by Benefit Terms

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

| | <u>Primary Government</u> |
|--|-------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 12 |
| Inactive members: | |
| Vested inactive members | 4 |
| Non-vested inactive members | 4 |
| Inactive members active elsewhere in VRS | <u>5</u> |
| Total inactive members | 13 |
| Active members | <u>13</u> |
| Total covered employees | <u><u>38</u></u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 15.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$92,621 and \$62,954 for the years ended June 30, 2019 and June 30, 2018, respectively.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

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

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|---------------------------------------|---|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 4.75% |
| Investment rate of return | 7.0%, net of pension plan investment expenses, including inflation* |

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—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) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|-------------------|--|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

* The above allocation provides a one-year return of 7.30%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was 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, 2018 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.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

| | Primary Government | | |
|---|--------------------------------------|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2016 | \$ 1,993,489 | \$ 1,908,913 | \$ 84,576 |
| Changes for the year: | | | |
| Service cost | \$ 55,828 | \$ - | \$ 55,828 |
| Interest | 136,229 | - | 136,229 |
| Differences between expected and actual experience | 3,343 | - | 3,343 |
| Assumption changes | - | - | - |
| Contributions - employer | - | 62,978 | (62,978) |
| Contributions - employee | - | 27,687 | (27,687) |
| Net investment income | - | 141,513 | (141,513) |
| Benefit payments, including refunds | (94,717) | (94,717) | - |
| Administrative expenses | - | (1,201) | 1,201 |
| Other changes | - | (127) | 127 |
| Net changes | \$ 100,683 | \$ 136,133 | \$ (35,450) |
| Balances at June 30, 2017 | \$ 2,094,172 | \$ 2,045,046 | \$ 49,126 |

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

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Town's Net Pension Liability (Asset) | \$ 345,245 | \$ 49,126 | \$ (194,736) |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$126,200. At June 30, 2019, 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 | \$ 131,327 | \$ 2,578 |
| Change in assumptions | - | 9,655 |
| Net difference between projected and actual earnings on pension plan investments | - | 18,557 |
| Change in proportionate share | 2,170 | 2,170 |
| Employer contributions subsequent to the measurement date | 92,621 | - |
| Total | \$ 226,118 | \$ 32,960 |

\$92,621 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, 2020. 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:

| Year Ended June 30 | Primary Government |
|--------------------|--------------------|
| 2020 | \$ 116,797 |
| 2021 | 4,944 |
| 2022 | (19,591) |
| 2023 | (1,617) |
| 2024 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (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 Program 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 Program. 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 program, it is not included as part of the GLI Program OPEB.

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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 Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 Program from the entity were \$3,123 and \$3,006 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the entity reported a liability of \$47,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00304% as compared to 0.00312% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(2,000).

At June 30, 2019, 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 | \$ 2,000 | \$ - |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 2,000 |
| Change in assumptions | - | 2,000 |
| Changes in proportion | - | 2,000 |
| Employer contributions subsequent to the measurement date | 3,123 | - |
| Total | <u>\$ 5,123</u> | <u>\$ 6,000</u> |

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (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)

\$3,123 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, 2020. 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:

| <u>Year Ended June 30</u> | <u>Primary Government</u> |
|---------------------------|---------------------------|
| 2019 | \$ (2,000) |
| 2020 | (2,000) |
| 2021 | (2,000) |
| 2022 | (1,000) |
| 2023 | (1,000) |
| Thereafter | - |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

| | |
|--|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| General state employees | 3.5% - 5.35% |
| Teachers | 3.5%-5.95% |
| SPORS employees | 3.5%-4.75% |
| VaLORS employees | 3.5%-4.75% |
| JRS employees | 4.5% |
| Locality - General employees | 3.5%-5.35% |
| Locality - Hazardous Duty employees | 3.5%-4.75% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program 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, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

| | | GLI OPEB Program |
|--|----|-----------------------------|
| Total GLI OPEB Liability | \$ | 3,113,508 |
| Plan Fiduciary Net Position | | 1,594,773 |
| Employers' Net GLI OPEB Liability (Asset) | \$ | 1,518,735 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 51.22% |

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 ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (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) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|-------------------|--|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

*The above allocation provides a one-year return of 7.30%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, 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, 2018 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 ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|--|-------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Town's proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 61,000 | \$ 47,000 | \$ 35,000 |

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10—CONTINGENT LIABILITIES:

The Town participates in a number of federally assisted grant programs. Although the Town has been audited in accordance with the provisions of the Uniform Guidance in a previous year, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, would be immaterial.

At June 30, 2019, 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—SURETY BONDS:

The Town maintains surety bond coverage with Selective Insurance Company in the amount of \$300,000 for all Town employees.

TOWN OF ONANCOCK, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 12—RISK MANAGEMENT:

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

NOTE 13—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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, 2020.

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

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Required Supplementary Information

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Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 Year Ended June 30, 2019

| | General Fund | | | |
|--|--------------------|-------------------------|--------------|---|
| | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
| Revenues: | | | | |
| General property taxes | \$ 499,791 | \$ 499,791 | \$ 503,696 | \$ 3,905 |
| Other local taxes | 397,175 | 397,175 | 428,049 | 30,874 |
| Permits, privilege fees and regulatory licenses | 300 | 300 | 275 | (25) |
| Fines and forfeitures | 10,000 | 10,000 | 13,959 | 3,959 |
| Revenue from use of money and property | 850 | 850 | 19,613 | 18,763 |
| Charges for services | 242,885 | 242,885 | 232,550 | (10,335) |
| Miscellaneous | 5,250 | 5,250 | 25,051 | 19,801 |
| Intergovernmental: | | | | |
| Commonwealth | 424,830 | 424,830 | 311,809 | (113,021) |
| Federal | 6,174 | 6,174 | 6,174 | - |
| Total revenues | \$ 1,587,255 | \$ 1,587,255 | \$ 1,541,176 | \$ (46,079) |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | \$ 415,017 | \$ 415,017 | \$ 383,478 | \$ 31,539 |
| Public safety | 417,356 | 417,356 | 363,321 | 54,035 |
| Public works | 220,552 | 220,552 | 200,047 | 20,505 |
| Parks, recreation and cultural | 473,035 | 473,035 | 309,745 | 163,290 |
| Nondepartmental | 29,000 | 29,000 | 30,844 | (1,844) |
| Debt service: | | | | |
| Principal retirement | 29,600 | 29,600 | 29,600 | - |
| Interest and other fiscal charges | 4,194 | 4,194 | 4,213 | (19) |
| Total expenditures | \$ 1,588,754 | \$ 1,588,754 | \$ 1,321,248 | \$ 267,506 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (1,499) | \$ (1,499) | \$ 219,928 | \$ 221,427 |
| Other financing sources (uses): | | | | |
| Transfers in | \$ - | \$ - | \$ 92,989 | \$ 92,989 |
| Total other financing sources (uses) | \$ - | \$ - | \$ 92,989 | \$ 92,989 |
| Changes in fund balance | \$ (1,499) | \$ (1,499) | \$ 312,917 | \$ 314,416 |
| Fund balance at beginning of year | 1,499 | 1,499 | 839,680 | 838,181 |
| Fund balance at end of year | \$ - | \$ - | \$ 1,152,597 | \$ 1,152,597 |

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Years Ended June 30, 2015 through June 30, 2019

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 55,828 | \$ 58,400 | \$ 75,604 | \$ 73,146 | \$ 72,307 |
| Interest | 136,229 | 106,142 | 97,981 | 88,362 | 79,678 |
| Differences between expected and actual experience | 3,343 | 373,386 | (10,015) | 1,712 | - |
| Changes in assumptions | - | (27,872) | - | - | - |
| Benefit payments, including refunds of employee contributions | (94,717) | (65,775) | (28,177) | (23,434) | (32,429) |
| Net change in total pension liability | \$ 100,683 | \$ 444,281 | \$ 135,393 | \$ 139,786 | \$ 119,556 |
| Total pension liability - beginning | 1,993,489 | 1,549,208 | 1,413,815 | 1,274,029 | 1,154,473 |
| Total pension liability - ending (a) | \$ 2,094,172 | \$ 1,993,489 | \$ 1,549,208 | \$ 1,413,815 | \$ 1,274,029 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 62,978 | \$ 28,585 | \$ 33,814 | \$ 35,147 | \$ 32,602 |
| Contributions - employee | 27,687 | 27,283 | 27,980 | 29,093 | 29,051 |
| Net investment income | 141,513 | 209,248 | 30,323 | 72,129 | 208,152 |
| Benefit payments, including refunds of employee contributions | (94,717) | (65,775) | (28,177) | (23,434) | (32,429) |
| Administrative expense | (1,201) | (1,195) | (1,001) | (932) | (1,086) |
| Other | (127) | (187) | (13) | (17) | 11 |
| Net change in plan fiduciary net position | \$ 136,133 | \$ 197,959 | \$ 62,926 | \$ 111,986 | \$ 236,301 |
| Plan fiduciary net position - beginning | 1,908,913 | 1,710,954 | 1,648,028 | 1,536,042 | 1,299,741 |
| Plan fiduciary net position - ending (b) | \$ 2,045,046 | \$ 1,908,913 | \$ 1,710,954 | \$ 1,648,028 | \$ 1,536,042 |
| Town's net pension liability (asset) - ending (a) - (b) | \$ 49,126 | \$ 84,576 | \$ (161,746) | \$ (234,213) | \$ (262,013) |
| Plan fiduciary net position as a percentage of the total pension liability | 97.65% | 95.76% | 110.44% | 116.57% | 120.57% |
| Covered payroll | \$ 578,066 | \$ 575,774 | \$ 571,914 | \$ 593,511 | \$ 582,194 |
| Town's net pension liability (asset) as a percentage of covered payroll | 8.50% | 14.69% | -28.28% | -39.46% | -45.00% |

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

Schedule of Employer Contributions - Pension
 Years Ended June 30, 2009 through June 30, 2018

| Date | Contributions in Relation to | | | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|--|---|---|---|
| | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | | |
| 2019 | \$ 92,621 | \$ 92,621 | \$ - | \$ 600,509 | 15.42% |
| 2018 | 62,954 | 62,954 | - | 578,066 | 10.89% |
| 2017 | 30,458 | 30,458 | - | 575,774 | 5.29% |
| 2016 | 34,429 | 34,429 | - | 571,914 | 6.02% |
| 2015 | 35,729 | 35,729 | - | 593,511 | 6.02% |
| 2014 | 32,661 | 32,661 | - | 582,194 | 5.61% |
| 2013 | 32,783 | 32,783 | - | 584,360 | 5.61% |
| 2012 | 21,448 | 21,448 | - | 524,413 | 4.09% |
| 2011 | 20,961 | 20,961 | - | 512,501 | 4.09% |
| 2010 | 14,840 | 14,840 | - | 509,977 | 2.91% |

Notes to Required Supplementary Information - Pension
Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

Largest 10 - Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

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

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

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2019

| <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: | | | | | |
| 2018 | 0.0030% \$ | 47,000 \$ | 578,066 | 8.13% | 51.22% |
| 2017 | 0.0031% | 47,000 | 575,774 | 8.16% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2019

| Date | Contributions in Relation to | | | | | Contributions as a % of Covered Payroll | |
|--------------------|---|---|--|----------------------------------|----|--|-------|
| | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | | | |
| Primary Government | | | | | | | |
| 2019 | \$ | 3,123 | \$ | 3,123 | \$ | 600,509 | 0.52% |
| 2018 | | 3,006 | | 3,006 | - | 578,066 | 0.52% |
| 2017 | | 2,994 | | 2,994 | - | 575,774 | 0.52% |
| 2016 | | 2,880 | | 2,880 | - | 599,914 | 0.48% |
| 2015 | | 2,849 | | 2,849 | - | 593,511 | 0.48% |
| 2014 | | 2,795 | | 2,795 | - | 582,194 | 0.48% |
| 2013 | | 2,805 | | 2,805 | - | 584,360 | 0.48% |
| 2012 | | 1,468 | | 1,468 | - | 524,413 | 0.28% |
| 2011 | | 1,435 | | 1,435 | - | 512,501 | 0.28% |
| 2010 | | 1,038 | | 1,038 | - | 509,977 | 0.20% |

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |

Teachers

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

SPORS Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

ValORS Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

Other Supplementary Information

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Supporting Schedules

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General Fund
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|--|--------------------|-------------------------|------------|---|
| General Fund | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 366,206 | \$ 366,206 | \$ 364,888 | \$ (1,318) |
| Public service corporation taxes | 17,850 | 17,850 | 17,951 | 101 |
| Personal property taxes | 100,735 | 100,735 | 107,753 | 7,018 |
| Penalties and interest | 15,000 | 15,000 | 13,104 | (1,896) |
| Total general property taxes | \$ 499,791 | \$ 499,791 | \$ 503,696 | \$ 3,905 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 76,600 | \$ 76,600 | \$ 77,255 | \$ 655 |
| Consumers' utility taxes | 52,700 | 52,700 | 54,710 | 2,010 |
| Business license taxes | 38,000 | 38,000 | 42,991 | 4,991 |
| Motor vehicle licenses | 16,000 | 16,000 | 15,337 | (663) |
| Bank franchise tax | 35,000 | 35,000 | 37,922 | 2,922 |
| Transient occupancy tax | 18,875 | 18,875 | 25,530 | 6,655 |
| Meals taxes | 160,000 | 160,000 | 174,304 | 14,304 |
| Total other local taxes | \$ 397,175 | \$ 397,175 | \$ 428,049 | \$ 30,874 |
| Permits, privilege fees and regulatory licenses: | | | | |
| Zoning fees | \$ 300 | \$ 300 | \$ 275 | \$ (25) |
| Fines and Forfeitures: | | | | |
| Court fines and forfeitures | \$ 10,000 | \$ 10,000 | \$ 13,959 | \$ 3,959 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 250 | \$ 250 | \$ 12,638 | \$ 12,388 |
| Revenue from use of property | 600 | 600 | 6,975 | 6,375 |
| Total revenue from use of money and property | \$ 850 | \$ 850 | \$ 19,613 | \$ 18,763 |
| Charges for services: | | | | |
| Boat dockage and ramp fees | \$ 75,885 | \$ 75,885 | \$ 52,229 | \$ (23,656) |
| Wharf - fuel sales | 85,000 | 85,000 | 100,040 | 15,040 |
| Wharf - general | 2,200 | 2,200 | 3,064 | 864 |
| Wharf - electric | 5,500 | 5,500 | 4,800 | (700) |
| Trash collections | 74,000 | 74,000 | 72,417 | (1,583) |
| Grass cutting | 300 | 300 | - | (300) |
| Total charges for services | \$ 242,885 | \$ 242,885 | \$ 232,550 | \$ (10,335) |

General Fund
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|---|---------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 5,250 | \$ 5,250 | \$ 25,051 | \$ 19,801 |
| Total miscellaneous | \$ 5,250 | \$ 5,250 | \$ 25,051 | \$ 19,801 |
| Total revenue from local sources | \$ 1,156,251 | \$ 1,156,251 | \$ 1,223,193 | \$ 66,942 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Communications tax | \$ 92,500 | \$ 92,500 | \$ 84,398 | \$ (8,102) |
| PPTRA | 68,265 | 68,265 | 68,265 | - |
| Total noncategorical aid | \$ 160,765 | \$ 160,765 | \$ 152,663 | \$ (8,102) |
| Categorical aid: | | | | |
| State fire grant | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Police aid | 39,826 | 39,826 | 38,052 | (1,774) |
| Litter control grant | 1,031 | 1,031 | 1,034 | 3 |
| Wharf grants | 211,708 | 211,708 | 108,560 | (103,148) |
| Virginia commission of the arts | 1,500 | 1,500 | 1,500 | - |
| Total categorical aid | \$ 264,065 | \$ 264,065 | \$ 159,146 | \$ (104,919) |
| Total revenue from the Commonwealth | \$ 424,830 | \$ 424,830 | \$ 311,809 | \$ (113,021) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Police aid | \$ 6,174 | \$ 6,174 | \$ 6,174 | \$ - |
| Total categorical aid | \$ 6,174 | \$ 6,174 | \$ 6,174 | \$ - |
| Total revenue from the federal government | \$ 6,174 | \$ 6,174 | \$ 6,174 | \$ - |
| Total General Fund | \$ 1,587,255 | \$ 1,587,255 | \$ 1,541,176 | \$ (46,079) |

General Fund

Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2019

| Fund, Function, Activity and Elements | Original Budget | Budget As Amended | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-------------------------|------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Mayor and council | \$ 14,200 | \$ 14,200 | \$ 14,198 | \$ 2 |
| Payroll taxes | 1,086 | 1,086 | 1,041 | 45 |
| Travel | 500 | 500 | 846 | (346) |
| Community promotion | 21,600 | 21,600 | 16,056 | 5,544 |
| Town beautification | 1,000 | 1,000 | 832 | 168 |
| Tourism transient occupancy transfer | 4,500 | 4,500 | 4,380 | 120 |
| Total legislative | \$ 42,886 | \$ 42,886 | \$ 37,353 | \$ 5,533 |
| General and financial administration: | | | | |
| Salaries | \$ 145,470 | \$ 145,470 | \$ 135,590 | \$ 9,880 |
| Overtime | 2,000 | 2,000 | 1,857 | 143 |
| Payroll taxes | 11,291 | 11,291 | 9,472 | 1,819 |
| Hospitalization | 21,390 | 21,390 | 19,646 | 1,744 |
| Retirement | 24,064 | 24,064 | 22,480 | 1,584 |
| Life insurance | 1,845 | 1,845 | 1,853 | (8) |
| State unemployment | 2,500 | 2,500 | 639 | 1,861 |
| Training | 2,000 | 2,000 | 1,674 | 326 |
| Auditing | 16,750 | 16,750 | 16,750 | - |
| Office equipment maintenance | 24,000 | 24,000 | 24,069 | (69) |
| Printing auto decals | 275 | 275 | 705 | (430) |
| Advertising | 3,000 | 3,000 | 2,574 | 426 |
| Postage | 4,500 | 4,500 | 3,268 | 1,232 |
| Telephone | 2,550 | 2,550 | 1,882 | 668 |
| Travel | 2,000 | 2,000 | 2,146 | (146) |
| Dues and memberships | 1,200 | 1,200 | 1,161 | 39 |
| Office supplies | 17,500 | 17,500 | 7,920 | 9,580 |
| Miscellaneous | 3,000 | 3,000 | 2,920 | 80 |
| Parades | - | - | 10,455 | (10,455) |
| Bank charges | 1,000 | 1,000 | 1,887 | (887) |
| Bookkeeping | 3,500 | 3,500 | 3,909 | (409) |
| Town attorney | 4,000 | 4,000 | 5,940 | (1,940) |
| Court fees | 250 | 250 | - | 250 |
| Consultants | 1,000 | 1,000 | 3,291 | (2,291) |
| Town code codification | 14,000 | 14,000 | 1,990 | 12,010 |
| Property insurance | 35,366 | 35,366 | 32,918 | 2,448 |
| Vehicle insurance | 6,198 | 6,198 | 6,499 | (301) |
| Surety bonds | 200 | 200 | - | 200 |
| Public officials and law enforcement liability | 3,518 | 3,518 | 6,243 | (2,725) |
| General liability | 2,971 | 2,971 | 2,326 | 645 |
| Workmens compensation | 14,293 | 14,293 | 14,061 | 232 |
| Flood insurance - wharf | 500 | 500 | - | 500 |
| Total general and financial administration | \$ 372,131 | \$ 372,131 | \$ 346,125 | \$ 26,006 |
| Total general government administration | \$ 415,017 | \$ 415,017 | \$ 383,478 | \$ 31,539 |

General Fund

Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2019 (Continued)

| Fund, Function, Activity and Elements | Original Budget | Budget As Amended | Actual | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|--------------------|-------------------------|------------|---|
| General Fund: (Continued) | | | | |
| Public safety: | | | | |
| Law enforcement: | | | | |
| Salaries for officers | \$ 215,384 | \$ 215,384 | \$ 218,872 | \$ (3,488) |
| Overtime | 9,300 | 9,300 | 1,538 | 7,762 |
| Payroll taxes | 17,319 | 17,319 | 17,098 | 221 |
| Retirement | 34,649 | 34,649 | 32,940 | 1,709 |
| Hospitalization | 42,780 | 42,780 | 15,686 | 27,094 |
| Life insurance | 2,693 | 2,693 | 2,716 | (23) |
| State unemployment | 1,052 | 1,052 | 612 | 440 |
| Training | 5,000 | 5,000 | 3,231 | 1,769 |
| Vehicle repairs | 4,000 | 4,000 | 4,213 | (213) |
| Computer maintenance | 4,000 | 4,000 | 4,208 | (208) |
| Telephone | 2,892 | 2,892 | 4,030 | (1,138) |
| Line of duty act insurance | 2,787 | 2,787 | 3,692 | (905) |
| Travel | 500 | 500 | 258 | 242 |
| Office supplies | 1,500 | 1,500 | 1,634 | (134) |
| Vehicle fuel | 14,000 | 14,000 | 8,532 | 5,468 |
| Uniforms | 3,000 | 3,000 | 4,198 | (1,198) |
| Police supplies | 9,000 | 9,000 | 7,363 | 1,637 |
| Police vehicles | 15,000 | 15,000 | - | 15,000 |
| Total law enforcement | \$ 384,856 | \$ 384,856 | \$ 330,821 | \$ 54,035 |
| Fire and rescue: | | | | |
| Contributions fire companies | \$ 22,500 | \$ 22,500 | \$ 22,500 | \$ - |
| Fire programs funding | 10,000 | 10,000 | 10,000 | - |
| Total fire and rescue | \$ 32,500 | \$ 32,500 | \$ 32,500 | \$ - |
| Total public safety | \$ 417,356 | \$ 417,356 | \$ 363,321 | \$ 54,035 |
| Public works: | | | | |
| Street maintenance: | | | | |
| Salaries | \$ 23,646 | \$ 23,646 | \$ 24,210 | \$ (564) |
| Overtime | 1,500 | 1,500 | 359 | 1,141 |
| Payroll taxes | 1,660 | 1,660 | 1,866 | (206) |
| Retirement | 4,027 | 4,027 | 3,835 | 192 |
| Hospitalization | 8,556 | 8,556 | 7,843 | 713 |
| Life insurance | 308 | 308 | 330 | (22) |
| State unemployment | 105 | 105 | 223 | (118) |
| Vehicle repairs | 2,000 | 2,000 | 838 | 1,162 |
| Electricity | 30,000 | 30,000 | 24,710 | 5,290 |
| Street repairs | 8,500 | 8,500 | 5,175 | 3,325 |
| Small equipment repair | 500 | 500 | 3 | 497 |
| Safety/street signs | 300 | 300 | 436 | (136) |
| Uniforms | 500 | 500 | - | 500 |
| Trash can liners | 1,200 | 1,200 | 601 | 599 |
| Total street maintenance | \$ 82,802 | \$ 82,802 | \$ 70,429 | \$ 12,373 |

General Fund

Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2019 (Continued)

| Fund, Function, Activity and Elements | Original Budget | Budget As Amended | Actual | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|--------------------|-------------------------|-------------------|---|
| General Fund: (Continued) | | | | |
| Public works: (Continued) | | | | |
| Sanitation and waste: | | | | |
| Vehicle maintenance | \$ 3,000 | \$ 3,000 | \$ 3,727 | \$ (727) |
| Trash collection service | 92,500 | 92,500 | 97,728 | (5,228) |
| Repairs and maintenance | 2,000 | 2,000 | 1,351 | 649 |
| Vehicle fuel | 4,000 | 4,000 | 3,950 | 50 |
| Total sanitation and waste | <u>\$ 101,500</u> | <u>\$ 101,500</u> | <u>\$ 106,756</u> | <u>\$ (5,256)</u> |
| Mosquito and weed control: | | | | |
| Salaries | \$ 3,500 | \$ 3,500 | \$ 1,800 | \$ 1,700 |
| Repairs and maintenance | 500 | 500 | - | 500 |
| Chemicals | 2,500 | 2,500 | - | 2,500 |
| Weed control | 6,500 | 6,500 | 4,150 | 2,350 |
| Total mosquito and weed control | <u>\$ 13,000</u> | <u>\$ 13,000</u> | <u>\$ 5,950</u> | <u>\$ 7,050</u> |
| Buildings and grounds: | | | | |
| Electricity | \$ 5,500 | \$ 5,500 | \$ 3,998 | \$ 1,502 |
| Heat | 3,500 | 3,500 | 4,218 | (718) |
| Janitorial supplies | 1,500 | 1,500 | 400 | 1,100 |
| Janitorial services - town hall | 3,250 | 3,250 | 3,250 | - |
| Repairs and maintenance | 9,500 | 9,500 | 5,046 | 4,454 |
| Total buildings and grounds | <u>\$ 23,250</u> | <u>\$ 23,250</u> | <u>\$ 16,912</u> | <u>\$ 6,338</u> |
| Total public works | <u>\$ 220,552</u> | <u>\$ 220,552</u> | <u>\$ 200,047</u> | <u>\$ 20,505</u> |
| Parks, recreation and cultural: | | | | |
| Parks and recreation: | | | | |
| Grass cutting | \$ 6,300 | \$ 6,300 | \$ 5,765 | \$ 535 |
| Electricity | 924 | 924 | 1,165 | (241) |
| Repair and maintenance supplies | 550 | 550 | 319 | 231 |
| Small tools | 150 | 150 | 74 | 76 |
| Plantings | 2,500 | 2,500 | 1,601 | 899 |
| Holiday Decorations | 6,500 | 6,500 | 1,077 | 5,423 |
| Total parks and recreation | <u>\$ 16,924</u> | <u>\$ 16,924</u> | <u>\$ 10,001</u> | <u>\$ 6,923</u> |

General Fund

Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2019 (Continued)

| Fund, Function, Activity and Elements | Original Budget | Budget As Amended | Actual | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation and cultural: (Continued) | | | | |
| Wharf and marina: | | | | |
| Salaries | \$ 50,000 | \$ 50,000 | \$ 42,248 | \$ 7,752 |
| Overtime | 5,000 | 5,000 | 820 | 4,180 |
| Payroll taxes | 3,825 | 3,825 | 3,268 | 557 |
| Retirement | 5,961 | 5,961 | 1,390 | 4,571 |
| Hospitalization | 8,556 | 8,556 | 5,595 | 2,961 |
| Life insurance | 459 | 459 | 115 | 344 |
| State unemployment | 553 | 553 | 389 | 164 |
| Credit card fees | - | - | 2,592 | (2,592) |
| Electric services | 7,500 | 7,500 | 5,674 | 1,826 |
| Telephone | 601 | 601 | 529 | 72 |
| Janitorial supplies | 2,500 | 3,500 | 877 | 2,623 |
| Repair and maintenance supplies | 2,000 | 1,000 | 7,972 | (6,972) |
| Fuel purchases | 75,000 | 75,000 | 74,815 | 185 |
| Other operating supplies | 3,000 | 3,000 | 3,121 | (121) |
| Capital improvement | 288,456 | 288,456 | 143,991 | 144,465 |
| Advertising | 2,000 | 2,000 | 2,854 | (854) |
| Total wharf and marina | \$ 455,411 | \$ 455,411 | \$ 296,250 | \$ 159,161 |
| Christmas lighting: | | | | |
| Electricity | \$ 200 | \$ 200 | \$ 333 | \$ (133) |
| Repairs and maintenance | 500 | 500 | 161 | 339 |
| Total Christmas lighting | \$ 700 | \$ 700 | \$ 494 | \$ 206 |
| Cultural enrichment: | | | | |
| Contributions to local music ensembles | \$ - | \$ - | \$ 3,000 | \$ (3,000) |
| Total cultural enrichment | \$ - | \$ - | \$ 3,000 | \$ (3,000) |
| Total parks, recreation, and cultural | \$ 473,035 | \$ 473,035 | \$ 309,745 | \$ 163,290 |
| Debt service: | | | | |
| Principal retirement | \$ 29,600 | \$ 29,600 | \$ 29,600 | \$ - |
| Interest and other fiscal charges | 4,194 | 4,194 | 4,213 | (19) |
| Total debt service | \$ 33,794 | \$ 33,794 | \$ 33,813 | \$ (19) |
| Nondepartmental: | | | | |
| Contingencies | \$ 29,000 | \$ 29,000 | \$ 30,844 | \$ (1,844) |
| Total General Fund | \$ 1,588,754 | \$ 1,588,754 | \$ 1,321,248 | \$ 267,506 |

Statistical Information

TOWN OF ONANCOCK, VIRGINIA

Changes in Net Position
Last Nine Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Expenses | | | | | |
| Governmental Activities | | | | | |
| General Government Administration | \$ 391,425 | \$ 390,396 | \$ 493,199 | \$ 312,234 | \$ 360,651 |
| Public Safety | 395,615 | 310,541 | 282,548 | 341,356 | 354,843 |
| Public Works | 270,676 | 282,050 | 298,067 | 305,429 | 250,481 |
| Parks, Recreation and Cultural | 139,380 | 150,308 | 137,596 | 130,027 | 198,726 |
| Interest and other fiscal charges | 63,190 | 10,750 | 10,365 | 11,776 | 6,456 |
| Total Governmental Activities Expenses | \$ 1,260,286 | \$ 1,144,045 | \$ 1,221,775 | \$ 1,100,822 | \$ 1,171,157 |
| Business-Type Activities | | | | | |
| Public Utilities | \$ 792,533 | \$ 792,457 | \$ 765,120 | \$ 1,167,127 | \$ 1,162,288 |
| Total Business-Type Activities Expenses | \$ 792,533 | \$ 792,457 | \$ 765,120 | \$ 1,167,127 | \$ 1,162,288 |
| Total Primary Government Expenses | \$ 2,052,819 | \$ 1,936,502 | \$ 1,986,895 | \$ 2,267,949 | \$ 2,333,445 |
| Program Revenues | | | | | |
| Governmental Activities | | | | | |
| Charges for Services | \$ 134,183 | \$ 142,456 | \$ 135,692 | \$ 121,538 | \$ 106,723 |
| Operating Grants and Contributions | 51,941 | 96,083 | 179,152 | 71,021 | 84,690 |
| Capital Grants and Contributions | - | - | 109,581 | 194,498 | 50,410 |
| Total Governmental Activities Program Revenues | \$ 186,124 | \$ 238,539 | \$ 424,425 | \$ 387,057 | \$ 241,823 |
| Business-Type Activities | | | | | |
| Charges for Services | \$ 884,615 | \$ 791,500 | \$ 985,653 | \$ 939,787 | \$ 736,275 |
| Capital Grants and Contributions | 4,084,920 | 759,991 | 67,082 | 194,187 | - |
| Total Business-Type Activities Program Revenues | \$ 4,969,535 | \$ 1,551,491 | \$ 1,052,735 | \$ 1,133,974 | \$ 736,275 |
| Total Primary Government Program Revenues | \$ 5,155,659 | \$ 1,790,030 | \$ 1,477,160 | \$ 1,521,031 | \$ 978,098 |
| Net (Expense)/ Revenue | | | | | |
| Governmental Activities | \$ (1,074,162) | \$ (905,506) | \$ (797,350) | \$ (713,765) | \$ (929,334) |
| Business-Type Activities | 4,177,002 | 759,034 | 287,615 | (33,153) | (426,013) |
| Total Primary Government Net (Expense)/ Revenue | \$ 3,102,840 | \$ (146,472) | \$ (509,735) | \$ (746,918) | \$ (1,355,347) |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities | | | | | |
| General Property Taxes | \$ 489,274 | \$ 454,246 | \$ 370,870 | \$ 439,399 | \$ 432,462 |
| Other Local Taxes | 318,165 | 329,938 | 338,161 | 411,346 | 363,988 |
| Revenues from the use of money & property | 8,560 | 35,543 | 31,159 | 34,026 | 29,771 |
| Commonwealth of Virginia - PPTRA | - | - | 68,265 | 68,265 | 68,265 |
| Miscellaneous | 33,931 | 61,462 | 15,597 | 9,099 | 38,627 |
| Total Governmental Activities | \$ 849,930 | \$ 881,189 | \$ 824,052 | \$ 962,135 | \$ 933,113 |
| Business-Type Activities | | | | | |
| Revenues from the use of money & property | \$ 45,660 | \$ 98,299 | \$ 1,295 | \$ 86 | \$ 22 |
| Miscellaneous | 12,426 | 11,709 | 1,805 | 18,604 | 28,101 |
| Total Business-Type Activities | \$ 58,086 | \$ 110,008 | \$ 3,100 | \$ 18,690 | \$ 28,123 |
| Total Primary Government | \$ 908,016 | \$ 991,197 | \$ 827,152 | \$ 980,825 | \$ 961,236 |
| Change in Net Position | | | | | |
| Governmental Activities | \$ (224,232) | \$ (24,317) | \$ 26,702 | \$ 248,370 | \$ 3,779 |
| Business-Type Activities | 4,235,088 | 869,042 | 290,715 | (14,463) | (397,890) |
| Total Primary Government Change in Net Position | \$ 4,010,856 | \$ 844,725 | \$ 317,417 | \$ 233,907 | \$ (394,111) |

Table 1

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|----|------------------|-----------------------|-----------------------|---------------------|---------------------|
| \$ | 302,632 | \$ 287,787 | \$ 361,305 | \$ 413,815 | \$ 439,012 |
| | 347,946 | 353,330 | 358,015 | 431,419 | 394,527 |
| | 283,050 | 328,012 | 263,010 | 230,893 | 242,127 |
| | 119,280 | 138,795 | 177,883 | 162,004 | 327,598 |
| | 8,280 | 8,113 | 6,390 | 5,325 | 4,213 |
| \$ | <u>1,061,188</u> | <u>\$ 1,116,037</u> | <u>\$ 1,166,603</u> | <u>\$ 1,243,455</u> | <u>\$ 1,407,477</u> |
| \$ | 1,178,520 | \$ 1,191,331 | \$ 1,139,410 | \$ 1,233,602 | \$ 1,284,629 |
| \$ | <u>1,178,520</u> | <u>\$ 1,191,331</u> | <u>\$ 1,139,410</u> | <u>\$ 1,233,602</u> | <u>\$ 1,284,629</u> |
| \$ | <u>2,239,708</u> | <u>\$ 2,307,368</u> | <u>\$ 2,306,013</u> | <u>\$ 2,477,057</u> | <u>\$ 2,692,106</u> |
| \$ | 174,923 | \$ 184,936 | \$ 214,705 | \$ 279,475 | \$ 246,784 |
| | 36,607 | 89,290 | 58,540 | 58,158 | 56,760 |
| | 33,621 | 89,965 | 12,708 | 189,743 | 108,560 |
| \$ | <u>245,151</u> | <u>\$ 364,191</u> | <u>\$ 285,953</u> | <u>\$ 527,376</u> | <u>\$ 412,104</u> |
| \$ | 849,830 | \$ 872,777 | \$ 1,018,085 | \$ 1,190,191 | \$ 1,246,115 |
| | 335,790 | - | - | - | 199,973 |
| \$ | <u>1,185,620</u> | <u>\$ 872,777</u> | <u>\$ 1,018,085</u> | <u>\$ 1,190,191</u> | <u>\$ 1,446,088</u> |
| \$ | <u>1,430,771</u> | <u>\$ 1,236,968</u> | <u>\$ 1,304,038</u> | <u>\$ 1,717,567</u> | <u>\$ 1,858,192</u> |
| \$ | (816,037) | \$ (751,846) | \$ (880,650) | \$ (716,079) | \$ (995,373) |
| | 7,100 | (318,554) | (121,325) | (43,411) | 161,459 |
| \$ | <u>(808,937)</u> | <u>\$ (1,070,400)</u> | <u>\$ (1,001,975)</u> | <u>\$ (759,490)</u> | <u>\$ (833,914)</u> |
| \$ | 423,094 | \$ 410,275 | \$ 493,419 | \$ 508,046 | \$ 493,412 |
| | 428,063 | 333,215 | 328,025 | 388,855 | 428,049 |
| | 29,631 | 29,754 | 8,061 | 10,715 | 19,613 |
| | 68,265 | 163,813 | 161,209 | 158,848 | 152,663 |
| | 20,855 | 19,246 | 24,205 | 20,660 | 25,052 |
| \$ | <u>969,908</u> | <u>\$ 956,303</u> | <u>\$ 1,014,919</u> | <u>\$ 1,087,124</u> | <u>\$ 1,118,789</u> |
| \$ | - | \$ - | \$ - | \$ 7,597 | \$ 15,934 |
| | - | - | - | - | - |
| \$ | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,597</u> | <u>\$ 15,934</u> |
| \$ | <u>969,908</u> | <u>\$ 956,303</u> | <u>\$ 1,014,919</u> | <u>\$ 1,094,721</u> | <u>\$ 1,134,723</u> |
| \$ | 153,871 | \$ 204,457 | \$ 134,269 | \$ 371,045 | \$ 123,416 |
| | 7,100 | (318,554) | (121,325) | (35,814) | 177,393 |
| \$ | <u>160,971</u> | <u>\$ (114,097)</u> | <u>\$ 12,944</u> | <u>\$ 335,231</u> | <u>\$ 300,809</u> |

TOWN OF ONANCOCK, VIRGINIA

Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years

| | 2010 | 2011 | 2012 |
|--|---------------------|---------------------|---------------------|
| Revenues | | | |
| General property taxes | \$ 436,662 | \$ 420,633 | \$ 373,304 |
| Other local taxes | 318,165 | 329,938 | 338,161 |
| Permits, privilege fees and regulatory licenses | 846 | 375 | 525 |
| Fines and forfeitures | 16,030 | 17,885 | 16,238 |
| Revenue from the use of money and property | 8,560 | 35,543 | 31,159 |
| Charges for services | 134,183 | 124,196 | 118,929 |
| Miscellaneous | 17,055 | 61,462 | 15,597 |
| Intergovernmental | 51,941 | 96,083 | 356,998 |
| Total Revenues | \$ 983,442 | \$ 1,086,115 | \$ 1,250,911 |
| Expenditures | | | |
| General administration | \$ 247,674 | \$ 391,380 | \$ 501,532 |
| Public safety | 272,592 | 294,863 | 301,123 |
| Public works | 232,926 | 243,676 | 258,528 |
| Parks recreation and cultural | 140,282 | 144,210 | 132,101 |
| Rehabilitation | - | - | - |
| Capital outlays & non-departmental | - | - | 149,797 |
| Debt Service | 224,709 | 30,070 | 30,070 |
| Total Expenditures | \$ 1,118,183 | \$ 1,104,199 | \$ 1,373,151 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (134,741) | \$ (18,084) | \$ (122,240) |
| Other Financing Sources (Uses) | | | |
| Issuance of notes payable | \$ - | \$ - | \$ - |
| Sale of capital assets | \$ 184,625 | - | - |
| Total Other Financing Sources (Uses) | \$ 184,625 | \$ - | \$ - |
| Net Change in Fund Balance | \$ 49,884 | \$ (18,084) | \$ (122,240) |
| Debt Service as a Percentage of Expenditures | 20.10% | 2.72% | 2.46% |

Table 2

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 428,929 | \$ 436,142 | \$ 440,035 | \$ 418,148 | \$ 460,414 | \$ 527,472 | \$ 503,696 |
| | 411,346 | 363,988 | 428,063 | 333,215 | 328,025 | 388,855 | 428,049 |
| | - | - | - | 400 | 600 | 950 | 275 |
| | 10,978 | 18,410 | 18,946 | 15,975 | 15,162 | 16,218 | 13,959 |
| | 34,026 | 29,771 | 29,631 | 29,754 | 8,061 | 10,715 | 19,613 |
| | 110,560 | 88,313 | 155,977 | 168,561 | 198,943 | 262,307 | 232,550 |
| | 9,099 | 38,627 | 20,855 | 19,246 | 24,205 | 20,660 | 25,051 |
| | 333,784 | 203,365 | 138,493 | 343,068 | 232,457 | 406,749 | 317,983 |
| \$ | <u>1,338,722</u> | <u>\$ 1,178,616</u> | <u>\$ 1,232,000</u> | <u>\$ 1,328,367</u> | <u>\$ 1,267,867</u> | <u>\$ 1,633,926</u> | <u>\$ 1,541,176</u> |
| \$ | 304,633 | \$ 346,266 | \$ 299,455 | \$ 260,829 | \$ 337,182 | \$ 378,915 | \$ 383,478 |
| | 325,275 | 343,672 | 378,356 | 341,395 | 339,992 | 402,976 | 363,321 |
| | 265,837 | 269,500 | 271,733 | 292,436 | 220,309 | 196,477 | 200,047 |
| | 284,164 | 190,625 | 167,883 | 203,527 | 196,607 | 394,633 | 309,745 |
| | - | - | - | - | - | - | - |
| | - | 11,866 | 344 | 28,599 | 11,834 | 20,833 | 30,844 |
| | 32,301 | 27,838 | 32,998 | 37,101 | 40,775 | 33,814 | 33,813 |
| \$ | <u>1,212,210</u> | <u>\$ 1,189,767</u> | <u>\$ 1,150,769</u> | <u>\$ 1,163,887</u> | <u>\$ 1,146,699</u> | <u>\$ 1,427,648</u> | <u>\$ 1,321,248</u> |
| \$ | <u>126,512</u> | <u>\$ (11,151)</u> | <u>\$ 81,231</u> | <u>\$ 164,480</u> | <u>\$ 121,168</u> | <u>\$ 206,278</u> | <u>\$ 219,928</u> |
| \$ | - | \$ - | \$ 32,000 | \$ - | \$ - | \$ - | \$ - |
| | - | - | - | - | - | - | - |
| \$ | - | \$ - | \$ 32,000 | \$ - | \$ - | \$ - | \$ - |
| \$ | <u>126,512</u> | <u>\$ (11,151)</u> | <u>\$ 113,231</u> | <u>\$ 164,480</u> | <u>\$ 121,168</u> | <u>\$ 206,278</u> | <u>\$ 219,928</u> |
| | 2.66% | 2.34% | 2.87% | 3.19% | 3.56% | 2.37% | 2.56% |

TOWN OF ONANCOCK, VIRGINIA

Schedule of Legal Debt Margin
Last Nine Fiscal Years

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Assessed value of real estate subject to taxation | \$ <u>131,958,400</u> | \$ <u>132,441,000</u> | \$ <u>132,954,000</u> | \$ <u>118,891,900</u> |
| Legal Debt Limit | | | | |
| 10% of Assessed Value of Taxable Real Estate: | \$ 13,195,840 | \$ 13,244,100 | \$ 13,295,400 | \$ 11,889,190 |
| Deduct: | | | | |
| Bonds Payable | <u>11,382,417</u> | <u>10,856,810</u> | <u>10,331,258</u> | <u>10,101,659</u> |
| Legal Margin for Creation of Additional Debt | \$ <u>1,813,423</u> | \$ <u>2,387,290</u> | \$ <u>2,964,142</u> | \$ <u>1,787,531</u> |

Table 3

| <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ <u>118,862,000</u> | \$ <u>117,363,100</u> | \$ <u>117,738,100</u> | \$ <u>115,819,000</u> | \$ <u>116,186,600</u> | \$ <u>115,366,200</u> |
| \$ 11,886,200 | \$ 11,736,310 | \$ 11,773,810 | \$ 11,581,900 | \$ 11,618,660 | \$ 11,536,620 |
| <u>9,668,641</u> | <u>9,223,390</u> | <u>8,645,722</u> | <u>8,226,150</u> | <u>7,804,707</u> | <u>7,381,329</u> |
| \$ <u>2,217,559</u> | \$ <u>2,512,920</u> | \$ <u>3,128,088</u> | \$ <u>3,355,750</u> | \$ <u>3,813,953</u> | \$ <u>4,155,291</u> |

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|----------------|--------------------------|-----------------------------|---|
| 2010 | 437,232 | 436,662 | 99.87% |
| 2011 | 444,068 | 420,633 | 94.72% |
| 2012 | 473,369 | 441,569 | 93.28% |
| 2013 | 473,286 | 498,762 | 105.38% |
| 2014 | 484,286 | 488,427 | 100.86% |
| 2015 | 482,140 | 488,180 | 101.25% |
| 2016 | 489,609 | 471,763 | 96.36% |
| 2017 | 498,602 | 495,318 | 99.34% |
| 2018 | 575,275 | 558,488 | 97.08% |
| 2019 | 569,022 | 558,857 | 98.21% |

(1) Exclusive of penalties and interest.

Assessed Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Estate (1) | Personal Property | Public Service (2) | Total |
|----------------|--------------------|----------------------|-----------------------|-------------|
| 2010 | 131,958,400 | 8,384,472 | 7,324,763 | 147,667,635 |
| 2011 | 132,441,000 | 8,451,962 | 7,036,928 | 147,929,890 |
| 2012 | 132,954,000 | 8,504,206 | 6,753,652 | 148,211,858 |
| 2013 | 118,891,900 | 8,293,639 | 6,195,454 | 133,380,993 |
| 2014 | 118,862,000 | 8,964,622 | 5,705,176 | 133,531,798 |
| 2015 | 117,363,100 | 9,350,884 | 5,236,800 | 131,950,784 |
| 2016 | 117,738,100 | 9,547,476 | 5,120,424 | 132,406,000 |
| 2017 | 115,819,000 | 9,781,675 | 5,395,276 | 130,995,951 |
| 2019 | 116,186,600 | 9,831,688 | 5,434,336 | 131,452,624 |
| 2019 | 115,366,200 | 9,515,894 | 5,435,513 | 130,317,607 |

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

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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 Onancock, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Onancock, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Onancock, Virginia's basic financial statements, and have issued our report dated April 21, 2020.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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, Farnell, Cox Associates

Charlottesville, Virginia
April 21, 2020