

TOWN OF CHINCOTEAGUE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

TOWN OF CHINCOTEAGUE, VIRGINIA

- TOWN COUNCIL -

John H. Tarr, Mayor

Nancy B. Conklin
Terry Howard
James T. Frese

Ellen W. Richardson
John N. Jester, Jr.
John H. Howard

- OTHER TOWN OFFICIALS -

Town Manager	Robert G. Ritter, Jr.
Director of Public Works	Harvey Spurlock
Chief of Police	Edward Lewis
Town Attorney	Jon C. Poulson

TOWN OF CHINCOTEAGUE, VIRGINIA

FINANCIAL REPORT YEAR ENDED JUNE 30, 2010

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chincoteague, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Chincoteague, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chincoteague, Virginia, as of June 30, 2010, and the respective changes in financial position and, cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of the Town of Chincoteague, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison information, and Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chincoteague, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements, supporting schedules and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Chincoteague, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,619,320 (net assets). Of this amount \$3,371,612 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's funds reported combined ending fund balances of \$3,157,842, an decrease of \$8,863 in comparison with the prior year. Approximately seventy-seven percent of this total amount, \$2,380,692 is available for spending at the Town's discretion (unreserved fund balance).
- The Town's total debt decreased \$317,571 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

The Government-wide financial statements include not only the Town of Chincoteague, Virginia itself (known as the primary government), but also the Convention Center Authority. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Chincoteague, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories – the governmental funds and proprietary funds.

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$13,619,320 at the close of the most recent fiscal year.

Town of Chincoteague, Virginia's, Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,421,580	\$ 3,428,865	\$ 305,060	\$ 152,293	\$ 3,726,640	\$ 3,581,158
Capital assets	5,552,471	5,661,751	7,827,034	8,044,644	13,379,505	13,706,395
Total assets	<u>\$ 8,974,051</u>	<u>\$ 9,090,616</u>	<u>\$ 8,132,094</u>	<u>\$ 8,196,937</u>	<u>\$ 17,106,145</u>	<u>\$ 17,287,553</u>
Current liabilities	\$ 283,200	\$ 275,051	\$ 293,389	\$ 364,375	\$ 576,589	\$ 639,426
Long-term liabilities outstanding	419,633	486,964	2,490,603	2,750,684	2,910,236	3,237,648
Total liabilities	<u>\$ 419,633</u>	<u>\$ 486,964</u>	<u>\$ 2,490,603</u>	<u>\$ 2,750,684</u>	<u>\$ 2,910,236</u>	<u>\$ 3,237,648</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,148,176	\$ 5,098,052	\$ 5,099,532	\$ 5,067,120	\$ 10,247,708	\$ 10,165,172
Unrestricted	3,123,042	3,230,549	248,570	14,758	3,371,612	3,245,307
Total net assets	<u>\$ 8,271,218</u>	<u>\$ 8,328,601</u>	<u>\$ 5,348,102</u>	<u>\$ 5,081,878</u>	<u>\$ 13,619,320</u>	<u>\$ 13,410,479</u>

Government-wide Financial Analysis: (Continued)

A large part of the Town's net assets, \$10,247,708 or (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities - Governmental activities decreased the Town's net assets by \$57,383 while proprietary activities increased assets by \$266,224. Key elements of these changes are as follows:

Town of Chincoteague, Virginia's Changes in Net Assets For the Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 293,806	\$ 388,681	\$ 1,037,941	\$ 936,929	\$ 1,331,747	\$ 1,325,610
Operating grants and contributions	772,528	820,662	-	-	772,528	820,662
Capital grants and contributions	21,733	164,383	146,890	182,894	168,623	347,277
General revenues:						
General property taxes	853,338	859,376	-	-	853,338	859,376
Other local taxes	1,565,711	1,645,528	-	-	1,565,711	1,645,528
Grants and contributions not restricted to specific programs	150,435	171,094	-	-	150,435	171,094
Other general revenues	438,317	496,278	16,570	4,697	454,887	500,975
Total revenues	\$ 4,095,868	\$ 4,546,002	\$ 1,201,401	\$ 1,124,520	\$ 5,297,269	\$ 5,670,522
Expenses:						
General government administration	\$ 1,487,913	\$ 1,420,705	\$ -	\$ -	\$ 1,487,913	\$ 1,420,705
Public safety	909,618	830,795	-	-	909,618	830,795
Public works	1,412,619	1,315,779	-	-	1,412,619	1,315,779
Health	148,925	147,958	-	-	148,925	147,958
Parks, recreation, and cultural	12,375	6,096	-	-	12,375	6,096
Community development	166,394	261,057	-	-	166,394	261,057
Interest and other fiscal charges	15,407	17,792	-	-	15,407	17,792
Water	-	-	831,762	920,746	831,762	920,746
Curtis Merritt Harbor	-	-	103,415	125,690	103,415	125,690
Total expenses	\$ 4,153,251	\$ 4,000,182	\$ 935,177	\$ 1,046,436	\$ 5,088,428	\$ 5,046,618
Increase in net assets before transfers	\$ (57,383)	\$ 545,820	\$ 266,224	\$ 78,084	\$ 208,841	\$ 623,904
Transfers	-	60,000	-	(60,000)	-	-
Increase in net assets	\$ (57,383)	\$ 605,820	\$ 266,224	\$ 18,084	\$ 208,841	\$ 623,904
Net assets, July 1, 2009	8,328,601	7,722,781	5,081,878	5,063,794	13,410,479	12,786,575
Net assets, June 30, 2010	\$ 8,271,218	\$ 8,328,601	\$ 5,348,102	\$ 5,081,878	\$ 13,619,320	\$ 13,410,479

Government-wide Financial Analysis: (Continued)

The Town has one on-going project in the Water Fund. The Town has expended \$5,057 to date for the SCADA feasibility study. The Town is currently working on a project in the Curtis Merritt Harbor Fund and has expended \$130,405 on this project in the current year, and \$664,113 to date.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,157,842, a decrease of \$8,863 in comparison with the prior year. A large part of this total amount, \$2,380,692 constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for:

- Drainage
- Boat ramp repairs
- Land acquisition
- 911 emergency equipment
- Playground equipment
- Mosquito control
- Mosquito control drainage

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance totals \$2,366,078 at year end.

The general fund balance increased \$2,271 during the current fiscal year.

General Fund Budgetary Highlights

Overall general revenues and other financing sources exceeded expenditures and other uses by \$2,271 (reference Exhibit 9). The Town's General Fund expended \$3,992,173 during the year, which was \$106,193 less than budgeted.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2010 totals \$5,552,471 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and machinery and equipment. The Town's investment in governmental capital assets for the current fiscal year compared to the prior year total of \$5,661,751 results in a decrease of \$109,280. This decrease is due primarily to current year depreciation expense exceeding the current year additions. The Water Fund's capital assets decreased slightly from \$6,593,288 to \$6,272,461.

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

Debt

During the year the Town's debt decreased \$315,571 as it repaid principal on general obligation debt in the General Fund, (\$67,549) and in the Water Fund (\$250,022). Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in the notes to the financial statements.

Contact The Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Chincoteague, 6150 Community Drive, Chincoteague, Virginia 23336.

Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Convention Center
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,880,071	\$ 177,761	\$ 3,057,832	\$ 30,088
Receivables (net of allowance for uncollectibles):				
Property taxes	62,131	-	62,131	-
Accounts receivable	188,702	216,837	405,539	-
Prepays	134,884	30,462	165,346	-
Internal balances	120,000	(120,000)	-	-
Due from other governments	35,792	-	35,792	-
Total Current Assets	\$ 3,421,580	\$ 305,060	\$ 3,726,640	\$ 30,088
Noncurrent Assets				
Capital assets (net of accumulated depreciation):				
Land	\$ 2,137,176	\$ -	\$ 2,137,176	\$ -
Land improvements	135,868	-	135,868	11,880
Dock and improvements	-	883,270	883,270	-
Buildings and improvements	1,241,088	-	1,241,088	763,562
Infrastructure	1,171,542	6,222,677	7,394,219	-
Construction in progress	-	669,170	669,170	-
Equipment	866,797	51,917	918,714	3,458
Total Capital Assets	\$ 5,552,471	\$ 7,827,034	\$ 13,379,505	\$ 778,900
Total Assets	\$ 8,974,051	\$ 8,132,094	\$ 17,106,145	\$ 808,988
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 100,152	\$ 9,537	\$ 109,689	\$ 7,336
Accrued payroll and related liabilities	16,598	-	16,598	1,683
Unearned revenue	86,943	21,305	108,248	11,390
Accrued interest payable	-	-	-	2,272
Current portion of long-term obligations	79,507	262,547	342,054	9,394
Total Current Liabilities	\$ 283,200	\$ 293,389	\$ 576,589	\$ 32,075
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	419,633	2,490,603	2,910,236	46,971
Total Liabilities	\$ 702,833	\$ 2,783,992	\$ 3,486,825	\$ 79,046
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,148,176	\$ 5,099,532	\$ 10,247,708	\$ 722,535
Unrestricted assets	3,123,042	248,570	3,371,612	7,407
Total Net Assets	\$ 8,271,218	\$ 5,348,102	\$ 13,619,320	\$ 729,942
Total Liabilities and Net Assets	\$ 8,974,051	\$ 8,132,094	\$ 17,106,145	\$ 808,988

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

TOWN OF CHINCOTEAGUE, VIRGINIA

Statement of Activities
Year Ended June 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,487,913	\$ -	\$ -	\$ -
Public safety	909,618	49,143	134,802	-
Public works	1,412,619	231,286	574,398	-
Health	148,925	-	24,375	-
Parks, recreation, and cultural	12,375	-	-	-
Community development	166,394	13,377	38,953	21,733
Interest on long-term debt	15,407	-	-	-
Total governmental activities	<u>\$ 4,153,251</u>	<u>\$ 293,806</u>	<u>\$ 772,528</u>	<u>\$ 21,733</u>
Business-type activities:				
Water	\$ 831,762	\$ 976,338	\$ -	\$ -
Curtis Merritt Harbor	103,415	61,603	-	146,890
Total business type activities	<u>\$ 935,177</u>	<u>\$ 1,037,941</u>	<u>\$ -</u>	<u>\$ 146,890</u>
Total primary government	<u>\$ 5,088,428</u>	<u>\$ 1,331,747</u>	<u>\$ 772,528</u>	<u>\$ 168,623</u>
COMPONENT UNIT:				
Convention Center	<u>\$ 183,683</u>	<u>\$ 51,387</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 General property taxes
 Local sales and use taxes
 Meals taxes
 Business license taxes
 Occupancy tax
 Consumer utility taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Convention Center	
\$ (1,487,913)	\$ -	\$ (1,487,913)	\$ -	-
(725,673)	-	(725,673)	-	-
(606,935)	-	(606,935)	-	-
(124,550)	-	(124,550)	-	-
(12,375)	-	(12,375)	-	-
(92,331)	-	(92,331)	-	-
(15,407)	-	(15,407)	-	-
<u>\$ (3,065,184)</u>	<u>\$ -</u>	<u>\$ (3,065,184)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 144,576	\$ 144,576	\$ -	-
-	105,078	105,078	-	-
<u>\$ -</u>	<u>\$ 249,654</u>	<u>\$ 249,654</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 249,654	\$ (2,815,530)	\$ -	-
\$ -	\$ -	\$ -	\$ (132,296)	-
\$ 853,338	\$ -	\$ 853,338	\$ -	-
95,556	-	95,556	-	-
487,148	-	487,148	-	-
106,605	-	106,605	-	-
602,803	-	602,803	-	-
194,596	-	194,596	-	-
79,003	-	79,003	-	-
32,269	16,570	48,839	77	-
406,048	-	406,048	-	-
150,435	-	150,435	127,042	-
<u>\$ 3,007,801</u>	<u>\$ 16,570</u>	<u>\$ 3,024,371</u>	<u>\$ 127,119</u>	<u>-</u>
\$ (57,383)	\$ 266,224	\$ 208,841	\$ (5,177)	-
8,328,601	5,081,878	13,410,479	735,119	-
<u>\$ 8,271,218</u>	<u>\$ 5,348,102</u>	<u>\$ 13,619,320</u>	<u>\$ 729,942</u>	<u>-</u>

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2010

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,863,155	\$ 16,916	\$ 2,880,071
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	62,131	-	62,131
Accounts	188,702	-	188,702
Prepays	134,884	-	134,884
Due from other funds	120,000	-	120,000
Due from other governmental units	35,792	-	35,792
Total assets	<u>\$ 3,404,664</u>	<u>\$ 16,916</u>	<u>\$ 3,421,580</u>
LIABILITIES			
Accounts payable	\$ 97,850	\$ 2,302	\$ 100,152
Accrued liabilities	16,598	-	16,598
Deferred revenue	146,988	-	146,988
Total liabilities	<u>\$ 261,436</u>	<u>\$ 2,302</u>	<u>\$ 263,738</u>
FUND BALANCES			
Unreserved, designated for:			
Drainage	\$ 143,913	\$ -	\$ 143,913
Boat ramp repairs	229,908	-	229,908
Land acquisition	113,600	-	113,600
911 emergency equipment	25,000	-	25,000
Playground equipment	17,133	-	17,133
Mosquito control	227,145	-	227,145
Mosquito control drainage	20,451	-	20,451
Undesignated reported in:			
General fund	2,366,078	-	2,366,078
Special revenue funds	-	14,614	14,614
Total fund balances	<u>\$ 3,143,228</u>	<u>\$ 14,614</u>	<u>\$ 3,157,842</u>
Total liabilities and fund balances	<u>\$ 3,404,664</u>	<u>\$ 16,916</u>	<u>\$ 3,421,580</u>

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Assets:

Fund balance of governmental funds \$ 3,157,842

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole. 5,552,471

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. 60,045

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. (499,140)

Net assets of General Governmental Activities \$ 8,271,218

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2010

	General	Other Governmental Funds	Total
Revenues:			
General property taxes	\$ 857,137	\$ -	\$ 857,137
Other local taxes	1,565,711	-	1,565,711
Permits, privilege fees and regulatory licenses	48,626	-	48,626
Fines and forfeitures	34,343	-	34,343
Revenue from use of money and property	28,921	3,348	32,269
Charges for services	205,160	5,677	210,837
Miscellaneous	406,048	-	406,048
Intergovernmental:			
Commonwealth	810,344	9,233	819,577
Federal	52,985	72,134	125,119
Total revenues	\$ 4,009,275	\$ 90,392	\$ 4,099,667
Expenditures:			
Current:			
General government administration	\$ 1,391,488	\$ -	\$ 1,391,488
Public safety	921,805	-	921,805
Public works	1,434,624	-	1,434,624
Health	148,925	-	148,925
Parks, recreation, and cultural	12,375	-	12,375
Community development	-	116,357	116,357
Debt service:			
Principal retirement	67,549	-	67,549
Interest and other fiscal charges	15,407	-	15,407
Total expenditures	\$ 3,992,173	\$ 116,357	\$ 4,108,530
Excess (deficiency) of revenues over (under) expenditures	\$ 17,102	\$ (25,965)	\$ (8,863)
Other financing sources (uses):			
Transfers in	\$ -	\$ 14,831	\$ 14,831
Transfer (out)	(14,831)	-	(14,831)
Total other financing sources (uses)	\$ (14,831)	\$ 14,831	\$ -
Changes in fund balances	\$ 2,271	\$ (11,134)	\$ (8,863)
Fund balances at beginning of year	3,140,957	25,748	3,166,705
Fund balances at end of year	\$ 3,143,228	\$ 14,614	\$ 3,157,842

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds To the Statement of Activities
Year Ended June 30, 2010

**Governmental
Funds**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	111,137
--	----	---------

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 the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:

Capital outlay	\$	216,976	
Depreciation expense		<u>(326,256)</u>	(109,280)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,799)
--	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the 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 related items and details are as follows:

Principal retired on long-term obligations	67,549
--	--------

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

Change in accrued leave	<u>(2,990)</u>
Change in net assets of governmental activities	\$ <u><u>62,617</u></u>

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

Statement of Net Assets - Proprietary Funds
June 30, 2010

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Non-Major Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 52,074	\$ 125,687	\$ 177,761
Accounts receivable	216,837	-	216,837
Prepays	30,462	-	30,462
Total Current Assets	<u>\$ 299,373</u>	<u>\$ 125,687</u>	<u>\$ 425,060</u>
Noncurrent Assets			
Capital assets:			
Dock and improvements	\$ -	\$ 1,783,770	\$ 1,783,770
Construction in progress	5,057	664,113	669,170
Infrastructure	8,522,614	-	8,522,614
Equipment	69,350	13,988	83,338
Accumulated depreciation	(2,324,560)	(907,298)	(3,231,858)
Total Capital Assets (net of accumulated depreciation)	<u>\$ 6,272,461</u>	<u>\$ 1,554,573</u>	<u>\$ 7,827,034</u>
Total Assets	<u><u>\$ 6,571,834</u></u>	<u><u>\$ 1,680,260</u></u>	<u><u>\$ 8,252,094</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 7,668	\$ 1,869	\$ 9,537
Due to other funds	120,000	-	120,000
Current portion of accrued leave	2,518	47	2,565
Current portion of general obligation bonds	259,982	-	259,982
Unearned revenue	-	21,305	21,305
Total Current Liabilities	<u>\$ 390,168</u>	<u>\$ 23,221</u>	<u>\$ 413,389</u>
Noncurrent Liabilities			
Accrued leave	\$ 22,658	\$ 425	\$ 23,083
General obligation bonds	2,467,520	-	2,467,520
Total Noncurrent Liabilities	<u>\$ 2,490,178</u>	<u>\$ 425</u>	<u>\$ 2,490,603</u>
Total Liabilities	<u>\$ 2,880,346</u>	<u>\$ 23,646</u>	<u>\$ 2,903,992</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,544,959	\$ 1,554,573	\$ 5,099,532
Unrestricted assets	146,529	102,041	248,570
Total Net Assets	<u>\$ 3,691,488</u>	<u>\$ 1,656,614</u>	<u>\$ 5,348,102</u>
Total Liabilities and Net Assets	<u><u>\$ 6,571,834</u></u>	<u><u>\$ 1,680,260</u></u>	<u><u>\$ 8,252,094</u></u>

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

Statement of Revenues, Expenses and Change in Net Assets -
 Proprietary Funds
 Year Ended June 30, 2010

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Non-Major Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 976,338	\$ 61,603	\$ 1,037,941
Total operating revenues	\$ 976,338	\$ 61,603	\$ 1,037,941
Operating expenses:			
Salaries	\$ 178,603	\$ 24,824	\$ 203,427
Fringe benefits	56,397	4,455	60,852
Contracted services	2,873	22,308	25,181
Internal service allocation	3,720	-	3,720
Miscellaneous operating expenses	123,599	8,668	132,267
Depreciation	351,048	43,160	394,208
Total operating expenses	\$ 716,240	\$ 103,415	\$ 819,655
Income from operations	\$ 260,098	\$ (41,812)	\$ 218,286
Nonoperating revenues (expenses):			
Interest income	\$ 34	\$ 16,536	\$ 16,570
Interest (expense)	(115,522)	-	(115,522)
Total nonoperating revenues (expenses)	\$ (115,488)	\$ 16,536	\$ (98,952)
Net income before capital grants	\$ 144,610	\$ (25,276)	\$ 119,334
Capital grant - Virginia Port Authority	-	146,890	146,890
Change in net assets	\$ 144,610	\$ 121,614	\$ 266,224
Net assets, beginning of year	3,546,878	1,535,000	5,081,878
Net assets, end of year	\$ 3,691,488	\$ 1,656,614	\$ 5,348,102

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2010

	Major Fund Water Fund	Non-Major Fund Curtis Merritt Harbor Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 937,945	\$ 228,369	\$ 1,166,314
Payments to employees (including fringe benefits)	(234,880)	(29,509)	(264,389)
Payments for other operating activities	(255,393)	(83,384)	(338,777)
Net cash provided by (used in) operating activities	\$ 447,672	\$ 115,476	\$ 563,148
Cash flows from capital and related financing activities:			
Construction and acquisition of capital assets	\$ (30,221)	\$ (146,377)	\$ (176,598)
Capital grants	-	146,890	146,890
Interest paid on debt	(115,522)	-	(115,522)
Retirement of general obligation bonds	(250,022)	-	(250,022)
Net cash provided by (used in) capital and related financing activities	\$ (395,765)	\$ 513	\$ (395,252)
Cash flows from investing activities:			
Interest income	\$ 34	\$ 16,536	\$ 16,570
Net cash provided by (used in) investing activities	\$ 34	\$ 16,536	\$ 16,570
Net increase (decrease) in cash and cash equivalents	\$ 51,941	\$ 132,525	\$ 184,466
Cash and cash equivalents at beginning of year	133	(6,838)	(6,705)
Cash and cash equivalents at end of year	\$ 52,074	\$ 125,687	\$ 177,761
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Cash flows from operations:			
Income (loss) from operations	\$ 140,098	\$ (41,812)	\$ 98,286
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation and amortization	351,048	43,160	394,208
Changes in operating assets and liabilities:			
(Increase)/Decrease in accounts receivable	(38,393)	360	(38,033)
(Increase)/Decrease in due from other governments	-	182,894	182,894
Increase/(Decrease) in deferred revenue	-	(16,488)	(16,488)
Increase/(Decrease) in accounts payable and accrued liabilities	(5,081)	(52,638)	(57,719)
Net cash provided by operating activities	\$ 447,672	\$ 115,476	\$ 563,148

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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 government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has 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 Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

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.

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons.

A. The Financial Reporting Entity:

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

B. Individual Component Unit Disclosures:

Blended Component Units: The Town has no blended component units to be included for the fiscal year ended June 30, 2010.

Discretely Presented Component Units: The Chincoteague Recreation and Convention Center Authority members are appointed by the Chincoteague Town Council. The Convention Center was built to provide a recreational facility for the residents of Chincoteague as well as providing meeting rooms for conventions. The Center is fiscally dependent upon the Town for its operating revenues. The financial statements of the Chincoteague Recreation and Convention Center Authority are presented as a discrete presentation of the Town financial statements for the fiscal year ended June 30, 2010. Separately issued financial statements can be obtained from the Authority, 6135 Community Drive, Chincoteague Island, VA 23336.

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

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

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

The 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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

C. 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 major governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for 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 government-wide reporting purposes.

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

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

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town reports the following major enterprise fund:

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

The Town reports the following non-major fund:

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

The Town reports the following non-major fund types:

Special Revenue Funds - account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. Special Revenue Funds consist of the Main Street Revitalization Fund, Housing Rehabilitation Fund, and Trolley Fund.

D. Budgets and Budgetary Accounting:

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all Town units.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

E. Cash and Cash Equivalents:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component unit, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. Investments:

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

G. Receivables and Payables:

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$21,448 at June 30, 2010 and is solely comprised of the allowance for uncollectible property taxes.

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

H. Unbilled Water Revenue:

The Town bills service charges to customers on a quarterly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$121,925.

I. Capital Assets:

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

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

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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

I. Capital Assets:

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

<u>Assets</u>	<u>Years</u>
Water and wastewater treatment systems	50
Buildings	40
Building improvements	20-40
Vehicles	3-5
Office and computer equipment, other equipment	5-10
Buses	12
Infrastructure	30-40

J. 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 Assets. 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.

K. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

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

L. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Retirement Plan:

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension costs as they accrue.

N. Use of Estimates:

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

O. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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).

Custodial Credit Risk (Investments):

The Town’s investments at June 30, 2010 were held by the Town or in the Town’s name by the Town’s custodial banks; except \$2,470,114 of the Virginia Local Government Investment Pool where the underlying securities were uninsured and held by the investment’s counterparty.

Credit Risk of Debt Securities:

The Town’s rated debt investments as of June 30, 2010 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using Standard & Poor’s rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
	Fair Quality Rating
Rated Debt Investments	<u>AAAm</u>
Local Government Investment Pool	\$ <u><u>2,470,114</u></u>

External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

TOWN OF CHINCOTEAGUE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (Continued)****NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:**

The Town has receivables due from other governmental units at June 30, 2010 as follows:

Commonwealth of Virginia:		
Communication taxes	\$	30,068
Wireless 911 communication tax		<u>5,724</u>
Total	\$	<u><u>35,792</u></u>

NOTE 4—CAPITAL ASSETS:

A summary of Capital Asset Activity for the year ending June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets not being depreciated:				
Land	\$ <u>2,137,176</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,137,176</u>
Total capital assets not being depreciated	\$ <u>2,137,176</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,137,176</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,902,452	\$ -	\$ -	\$ 2,902,452
Land improvements	208,954	-	-	208,954
Infrastructure	1,152,078	122,856	-	1,274,934
Equipment	<u>2,116,297</u>	<u>94,120</u>	<u>-</u>	<u>2,210,417</u>
Total capital assets being depreciated	\$ <u>6,379,781</u>	\$ <u>216,976</u>	\$ <u>-</u>	\$ <u>6,596,757</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,535,113	\$ 126,251	\$ -	\$ 1,661,364
Land improvements	60,344	12,742	-	73,086
Infrastructure	70,214	33,178	-	103,392
Equipments	<u>1,189,535</u>	<u>154,085</u>	<u>-</u>	<u>1,343,620</u>
Total accumulated depreciation	\$ <u>2,855,206</u>	\$ <u>326,256</u>	\$ <u>-</u>	\$ <u>3,181,462</u>
Net capital assets	\$ <u><u>5,661,751</u></u>	\$ <u><u>(109,280)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,552,471</u></u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Proprietary Funds:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Curtis Merritt Harbor:				
Capital assets not being depreciated:				
Construction in progress	\$ 533,708	\$ 130,405	\$ -	\$ 664,113
Total capital assets not being	\$ 533,708	\$ 130,405	\$ -	\$ 664,113
Capital assets being depreciated:				
Dock and improvements	\$ 1,775,787	\$ 7,983	\$ -	\$ 1,783,770
Equipment	5,999	7,989	-	13,988
Total capital assets being depreciated	\$ 1,781,786	\$ 15,972	\$ -	\$ 1,797,758
Accumulated depreciation:				
Dock and improvements	\$ 858,139	\$ 42,361	\$ -	\$ 900,500
Equipment	5,999	799	-	6,798
Total accumulated depreciation	\$ 864,138	\$ 43,160	\$ -	\$ 907,298
Net capital assets	\$ 1,451,356	\$ 103,217	\$ -	\$ 1,554,573
Water Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 5,057	\$ -	\$ -	\$ 5,057
Total	\$ 5,057	\$ -	\$ -	\$ 5,057
Capital assets being depreciated:				
Infrastructure	\$ 8,511,743	\$ 10,871	\$ -	\$ 8,522,614
Equipment	50,000	19,350	-	69,350
Total capital assets being depreciated	\$ 8,561,743	\$ 30,221	\$ -	\$ 8,591,964
Accumulated depreciation:				
Infrastructure	\$ 1,953,513	\$ 346,424	\$ -	\$ 2,299,937
Equipment	19,999	4,624	-	24,623
Total accumulated depreciation	\$ 1,973,512	\$ 351,048	\$ -	\$ 2,324,560
Net capital assets	\$ 6,593,288	\$ (320,827)	\$ -	\$ 6,272,461

TOWN OF CHINCOTEAGUE, VIRGINIANOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (Continued)**NOTE 4—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to function/programs as follows:

Governmental activities:

General government	\$ 88,133
Public safety	32,464
Public works	155,622
Parks, recreation and cultural	<u>50,037</u>
Total governmental activities	<u>\$ 326,256</u>

Enterprise activities:

Curtis Merritt Harbor	\$ 43,160
Water fund	<u>351,048</u>
Total enterprise activities	<u>\$ 394,208</u>

NOTE 5—LONG-TERM OBLIGATIONS:

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

Year Ending June 30	<u>Governmental Obligations</u>		<u>Enterprise Obligations</u>	
	<u>General</u>		<u>Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 70,022	\$ 13,407	\$ 259,982	\$ 105,090
2012	72,585	10,844	270,343	94,728
2013	75,241	8,187	281,121	83,950
2014	77,995	5,433	292,334	72,737
2015	80,850	2,579	303,999	61,073
2016	27,602	207	275,981	49,357
2017	-	-	266,696	38,775
2018	-	-	267,236	27,913
2019	-	-	162,597	19,004
2020	-	-	169,829	11,771
2021	-	-	177,384	4,218
Total	<u>\$ 404,295</u>	<u>\$ 40,657</u>	<u>\$ 2,727,502</u>	<u>\$ 568,616</u>

TOWN OF CHINCOTEAGUE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (Continued)**

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2010:

	Amounts Payable July 1, 2009	Increases	Decreases	Amounts Payable June 30, 2010	Due Within One Year
Governmental Obligations					
General Obligation Bonds	\$ 471,844	\$ -	\$ 67,549	\$ 404,295	\$ 70,022
Compensated Absences	<u>91,855</u>	<u>2,990</u>	<u>-</u>	<u>94,845</u>	<u>9,485</u>
Total governmental obligations	<u>\$ 563,699</u>	<u>\$ 2,990</u>	<u>\$ 67,549</u>	<u>\$ 499,140</u>	<u>\$ 79,507</u>
Proprietary Funds					
General Obligation Bonds	\$ 2,977,524	\$ -	\$ 250,022	\$ 2,727,502	\$ 259,982
Compensated Absences	<u>25,758</u>	<u>-</u>	<u>110</u>	<u>25,648</u>	<u>2,565</u>
Total proprietary obligations	<u>\$ 3,003,282</u>	<u>\$ -</u>	<u>\$ 250,132</u>	<u>\$ 2,753,150</u>	<u>\$ 262,547</u>

TOWN OF CHINCOTEAGUE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (Continued)****NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)**Details of Long-Term Obligations:

	<u>Total Outstanding</u>	<u>Due Within One Year</u>
Governmental Funds:		
General Obligation Bonds:		
\$1,200,000 issued October 5, 2005 due in monthly installments of \$11,919 through October 1, 2015, interest at 3.60%; General portion	\$ 404,295	\$ 70,022
Compensated absences	<u>94,845</u>	<u>9,485</u>
Total governmental long-term obligations	<u>\$ 499,140</u>	<u>\$ 79,507</u>
Proprietary Funds:		
General Obligation Bonds:		
\$1,440,000 issued May 7, 2003 due in monthly installments of \$10,323 through May 1, 2018, interest at	\$ 854,130	\$ 95,169
\$1,200,000 issued October 5, 2005 due in monthly installments of \$11,919 through October 1, 2015, interest at 3.60%, proprietary portion	288,821	50,022
\$2,000,000 issued June 14, 2006 due in monthly installments of \$15,133 through June 1, 2021, interest at 4.36%,	<u>1,584,551</u>	<u>114,791</u>
Total general obligation bonds	\$ 2,727,502	\$ 259,982
Compensated absences	<u>25,648</u>	<u>2,565</u>
Total proprietary long-term obligations	<u>\$ 2,753,150</u>	<u>\$ 262,547</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

NOTE 6—DEFINED BENEFIT PENSION PLAN:

Primary Government:

A. Plan Description:

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

The Town contributes to the Virginia Retirement System (VRS).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contributions rates for the fiscal year ended June 30, 2010 was 8.36% of annual covered payroll.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

NOTE 6—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost:

During the fiscal year ended June 30, 2010 the Town's annual pension cost of \$124,750 (does not include the employee share which was assumed by the Town which was \$74,611) was equal to the Town's required and actual contributions.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 112,420	100%	\$ -
June 30, 2009	124,004	100%	-
June 30, 2010	124,750	100%	-

(1) Employer portion only

The required contributions were determined as a part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years

D. Funded Status and Funding Programs

As of June 30, 2009, the most recent actuarial valuation date, the plan was 87.71% funded. The actuarial accrued liability for benefits was \$4,000,363 and the actuarial value of assets was \$3,508,886 resulting in an unfunded actuarial accrued liability (UAAL) of \$491,477. The covered payroll (annual payroll of active employees covered by the plan) was \$1,495,809 and ratio of the UAAL to the covered payroll was 32.86%.

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

NOTE 7—DEFERRED REVENUE:

Deferred revenue represents 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. Governmental Fund deferred revenue totaling \$146,988 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$60,045 at June 30, 2010.

Unearned Revenue – Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$608 at June 30, 2010. PPTRA taxes received prior to June 30 and unearned totals \$86,335.

NOTE 8—CONTINGENT LIABILITIES:

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

At June 30, 2010, there were no matters of litigation involving the Town which would materially affect the Town financial position should any court decision or pending matter not be favorable to the Town.

NOTE 9—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 10—CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16 "Accounting for Claims, Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis not to exceed 240 hours. The Town has outstanding vacation pay totaling \$120,493 at June 30, 2010.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (Continued)

NOTE 11—SURETY BOND INFORMATION:

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

NOTE 12—FUND BALANCE—DESIGNATED:

Fund balances, which have been designated by the Town Council, were invested in the local government investment pool. At the end of the fiscal year the Town Council had designated the following balances:

Drainage	\$ 143,913
Boat ramp repairs	229,908
Land acquisition	113,600
911 emergency equipment	25,000
Playground equipment	17,133
Mosquito control	227,145
Mosquito control drainage	<u>20,451</u>
Total	\$ <u><u>777,150</u></u>

NOTE 13—POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

The Town offers post-employment medical coverage to its retired employees, and has several employees enrolled in the program. The Town has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB45 and believes there is no material effect on the Town's financial position.

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Required Supplementary Information

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2010

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 811,278	\$ 811,278	\$ 857,137	\$ 45,859
Other local taxes	1,473,965	1,473,965	1,565,711	91,746
Permits, privilege fees and regulatory licenses	42,800	42,800	48,626	5,826
Fines and forfeitures	40,000	40,000	34,343	(5,657)
Revenue from use of money and property	91,800	91,800	28,921	(62,879)
Charges for services	225,665	225,665	205,160	(20,505)
Miscellaneous	499,549	499,549	406,048	(93,501)
Intergovernmental:				
Commonwealth	837,957	837,957	810,344	(27,613)
Federal	49,550	49,550	52,985	3,435
Total revenues	\$ 4,072,564	\$ 4,072,564	\$ 4,009,275	\$ (63,289)
Expenditures:				
General government administration	\$ 1,389,440	\$ 1,389,440	\$ 1,391,488	\$ (2,048)
Public safety	1,018,458	1,018,458	921,805	96,653
Public works	1,453,617	1,453,617	1,434,624	18,993
Health	150,894	150,894	148,925	1,969
Parks, recreation and cultural	3,000	3,000	12,375	(9,375)
Debt service:				
Principal retirement	67,168	67,168	67,549	(381)
Interest and fiscal charges	15,789	15,789	15,407	382
Total expenditures	\$ 4,098,366	\$ 4,098,366	\$ 3,992,173	\$ 106,193
Excess (deficiency) of revenues over expenditures	\$ (25,802)	\$ (25,802)	\$ 17,102	\$ 42,904
Other financing sources (uses):				
Transfers in	\$ 131,802	\$ 131,802	\$ -	\$ (131,802)
Transfers (out)	(106,000)	(106,000)	(14,831)	91,169
Total other financing sources (uses)	\$ 25,802	\$ 25,802	\$ (14,831)	\$ (40,633)
Changes in fund balances	\$ -	\$ -	\$ 2,271	\$ 2,271
Fund balances at beginning of year	-	-	3,140,957	3,140,957
Fund balances at end of year	\$ -	\$ -	\$ 3,143,228	\$ 3,143,228

Virginia Retirement System
 Schedule of Pension Funding Progress
 Last Three Fiscal Years

Town:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2009	\$ 3,508,886	\$ 4,000,363	\$ 491,477	87.71%	\$ 1,495,809	32.86%
June 30, 2008	3,316,847	3,297,638	(19,209)	100.58%	1,403,997	(1.37%)
June 30, 2007	2,908,024	2,678,454	(229,570)	108.57%	1,221,610	(18.79%)

Other Supplementary Information

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Combining Balance Sheet - Nonmajor Governmental Funds
At June 30, 2010

	Main Street Revitalization Fund	Housing Rehabilitation Fund	Trolley Fund	Total
ASSETS				
Cash and cash equivalents	\$ <u>3,869</u>	\$ <u>955</u>	\$ <u>12,092</u>	\$ <u>16,916</u>
Total assets	\$ <u><u>3,869</u></u>	\$ <u><u>955</u></u>	\$ <u><u>12,092</u></u>	\$ <u><u>16,916</u></u>
LIABILITIES				
Accounts payable	\$ <u>883</u>	\$ <u>-</u>	\$ <u>1,419</u>	\$ <u>2,302</u>
Total liabilities	\$ <u><u>883</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,419</u></u>	\$ <u><u>2,302</u></u>
FUND BALANCES				
Unreserved, undesignated reported in:				
Special revenue funds	\$ <u>2,986</u>	\$ <u>955</u>	\$ <u>10,673</u>	\$ <u>14,614</u>
Total fund balances	\$ <u><u>2,986</u></u>	\$ <u><u>955</u></u>	\$ <u><u>10,673</u></u>	\$ <u><u>14,614</u></u>
Total liabilities and fund balances	\$ <u><u>3,869</u></u>	\$ <u><u>955</u></u>	\$ <u><u>12,092</u></u>	\$ <u><u>16,916</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

	Main Street Revitalization Fund	Housing Rehabilitation Fund	Trolley Fund	Total
Revenues:				
Revenue from use of money and property	\$ 3,347	\$ 1	\$ -	\$ 3,348
Charges for services	-	-	5,677	5,677
Intergovernmental:				
Commonwealth	-	-	9,233	9,233
Federal	33,181	-	38,953	72,134
Total revenues	\$ 36,528	\$ 1	\$ 53,863	\$ 90,392
Expenditures:				
Current:				
Community development	\$ 41,223	\$ -	\$ 75,134	\$ 116,357
Total expenditures	\$ 41,223	\$ -	\$ 75,134	\$ 116,357
Excess (deficiency) of revenues over expenditures	\$ (4,695)	\$ 1	\$ (21,271)	\$ (25,965)
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 14,831	\$ 14,831
Total other financing sources (uses)	\$ -	\$ -	\$ 14,831	\$ 14,831
Changes in fund balances	\$ (4,695)	\$ 1	\$ (6,440)	\$ (11,134)
Fund balances at beginning of year, as restated	7,681	954	17,113	25,748
Fund balances at end of year	\$ 2,986	\$ 955	\$ 10,673	\$ 14,614

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

Supporting Schedules

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GENERAL FUND

Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 599,278	\$ 599,278	\$ 616,559	\$ 17,281
Personal property taxes	185,000	185,000	174,219	(10,781)
Interest and Penalties	27,000	27,000	66,359	39,359
Total general property taxes	\$ 811,278	\$ 811,278	\$ 857,137	\$ 45,859
Other local taxes:				
Local sales and use taxes	\$ 110,000	\$ 110,000	\$ 95,556	\$ (14,444)
Consumers' utility taxes	126,765	126,765	194,596	67,831
Business license taxes	105,000	105,000	106,605	1,605
Motor vehicle licenses	79,000	79,000	74,873	(4,127)
Bank franchise tax	42,000	42,000	-	(42,000)
Mobile home sales tax	6,200	6,200	4,090	(2,110)
Transient occupancy tax	560,000	560,000	602,803	42,803
Emergency telephone service taxes	-	-	40	40
Meals taxes	445,000	445,000	487,148	42,148
Total other local taxes	\$ 1,473,965	\$ 1,473,965	\$ 1,565,711	\$ 91,746
Permits, privilege fees and regulatory licenses:				
Road permit fees	\$ 800	\$ 800	\$ 40	\$ (760)
Zoning advertisements	2,000	2,000	700	(1,300)
Permits and other licenses	40,000	40,000	47,886	7,886
Total permits, privilege fees and regulatory licenses	\$ 42,800	\$ 42,800	\$ 48,626	\$ 5,826
Fines and Forfeitures:				
Court fines and forfeitures	\$ 40,000	\$ 40,000	\$ 34,343	\$ (5,657)
Total fines and forfeitures	\$ 40,000	\$ 40,000	\$ 34,343	\$ (5,657)
Revenue from use of money and property:				
Revenue from use of money	\$ 75,000	\$ 75,000	\$ 12,121	\$ (62,879)
Revenue from use of property	16,800	16,800	16,800	-
Total revenue from use of money and property	\$ 91,800	\$ 91,800	\$ 28,921	\$ (62,879)
Charges for services:				
Sidewalk assessments	\$ 10,000	\$ 10,000	\$ 9,284	\$ (716)
911 dispatch for Assateague	15,000	15,000	14,800	(200)
Solid waste collection fees	193,665	193,665	174,076	(19,589)
Harbor administration	7,000	7,000	7,000	-
Total charges for services	\$ 225,665	\$ 225,665	\$ 205,160	\$ (20,505)

GENERAL FUND

Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Miscellaneous revenue:				
Tipping fee - county	\$ 49,333	\$ 49,333	\$ 66,324	\$ 16,991
Sale of capital assets	500	500	2,010	1,510
Police donations	20,000	20,000	48,500	28,500
Cemetery cleanup donation	1,000	1,000	2,165	1,165
Communication taxes	243,200	243,200	190,421	(52,779)
Hospitalization	20,796	20,796	15,057	(5,739)
User fees	25,000	25,000	24,915	(85)
Internal service allocation	123,720	123,720	3,720	(120,000)
Banner donations	-	-	48,092	48,092
Miscellaneous	16,000	16,000	4,844	(11,156)
Total miscellaneous revenue	\$ 499,549	\$ 499,549	\$ 406,048	\$ (93,501)
Total revenue from local sources	\$ 3,185,057	\$ 3,185,057	\$ 3,145,946	\$ (39,111)
Revenue from the Commonwealth:				
Noncategorical aid:				
Wireless 911 communication tax	\$ -	\$ -	\$ 36,029	\$ 36,029
Personal property tax reimbursement	150,250	150,250	108,785	(41,465)
Total noncategorical aid	\$ 150,250	\$ 150,250	\$ 144,814	\$ (5,436)
Categorical aid:				
Law enforcement grants	\$ 125,014	\$ 125,014	\$ 110,270	\$ (14,744)
Fire department grant	10,000	10,000	11,910	1,910
Street and highway maintenance	527,998	527,998	523,853	(4,145)
Local law enforcement block grant	-	-	2,133	2,133
Litter control	2,655	2,655	2,054	(601)
SRTS grant	17,040	17,040	10,310	(6,730)
VA commission for the arts grant	5,000	5,000	5,000	-
Total categorical aid	\$ 687,707	\$ 687,707	\$ 665,530	\$ (22,177)
Total revenue from the Commonwealth	\$ 837,957	\$ 837,957	\$ 810,344	\$ (27,613)
Revenue from the Federal Government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 4,200	\$ 4,200	\$ 5,621	\$ 1,421
Categorical aid:				
Police grants	\$ 45,350	\$ 45,350	\$ 10,489	\$ (34,861)
USDA grant	-	-	24,375	24,375
Community development block grant	-	-	12,500	12,500
Total revenue from the federal government	\$ 49,550	\$ 49,550	\$ 52,985	\$ 3,435
Total General Fund	\$ 4,072,564	\$ 4,072,564	\$ 4,009,275	\$ (63,289)

GENERAL FUND

Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Main Street Revitalization Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 6,920	\$ 6,920	\$ 3,347	\$ (3,573)
Revenue from the Federal Government:				
Categorical aid:				
TEA 21 grant	\$ 277,000	\$ 277,000	\$ 33,181	\$ (243,819)
Total Main Street Revitalization Fund	\$ 283,920	\$ 283,920	\$ 36,528	\$ (247,392)
Housing Rehabilitation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1	\$ 1
Total Housing Rehabilitation Fund	\$ -	\$ -	\$ 1	\$ 1
Trolley Fund:				
Revenue from local sources:				
Charges for services:				
Charges for transportation	\$ 7,500	\$ 7,500	\$ 5,677	\$ (1,823)
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Trolley demo grant	\$ 5,000	\$ 5,000	\$ 9,233	\$ 4,233
Revenue from the Federal Government:				
Categorical aid:				
Trolley demo grant	\$ 47,900	\$ 47,900	\$ 31,996	\$ (15,904)
ARRA - Formula grants for other than urbanized areas	-	-	6,957	6,957
Total categorical aid	\$ 47,900	\$ 47,900	\$ 38,953	\$ (8,947)
Total revenue from the federal government	\$ 47,900	\$ 47,900	\$ 38,953	\$ (8,947)
Total Trolley Fund	\$ 60,400	\$ 60,400	\$ 53,863	\$ (6,537)
Total Special Revenue Funds	\$ 344,320	\$ 344,320	\$ 90,392	\$ (253,928)
Grand total revenues	\$ 4,416,884	\$ 4,416,884	\$ 4,099,667	\$ (317,217)

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GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Mayor	\$ 4,800	\$ 4,800	\$ 4,800	\$ -
Town Council	23,040	23,040	23,040	-
Total legislative	\$ 27,840	\$ 27,840	\$ 27,840	\$ -
General and financial administration:				
Town office staff	\$ 360,681	\$ 360,681	\$ 329,579	\$ 31,102
Emergency medical technicians	219,778	219,778	220,867	(1,089)
Overtime	36,000	36,000	33,653	2,347
Social security	49,290	49,290	44,257	5,033
Hospitalization	60,764	60,764	49,946	10,818
Blood bank	-	-	40	(40)
Unemployment	5,000	5,000	2,333	2,667
Retirement	57,444	57,444	53,455	3,989
VRS life insurance	2,513	2,513	1,223	1,290
Bank charges	750	750	1,930	(1,180)
Building administration expenses	100	100	-	100
Cleaning	9,000	9,000	11,221	(2,221)
Planning commission	40	40	-	40
Board of zoning appeals	40	40	-	40
Building permit surcharge	1,175	1,175	890	285
Board of building code appeal	25	25	-	25
Emergency medical clothing	2,200	2,200	2,124	76
EMS cell allowance	1,600	1,600	1,450	150
Insurance	95,000	95,000	109,475	(14,475)
Auditing	23,800	23,800	23,800	-
Donations	26,250	26,250	24,192	2,058
Transfer to civic center	95,200	95,200	102,843	(7,643)
Tourism - 10% meals tax	44,500	44,500	48,397	(3,897)
ANPDC membership	7,000	7,000	7,000	-
Scholarship	1,000	1,000	1,000	-
Office supplies & publications	10,000	10,000	10,815	(815)
Office equipment & software maintenance	20,000	20,000	16,027	3,973
Postage	10,000	10,000	9,929	71
Tax bills & conversion	750	750	-	750
Motor vehicle license	2,100	2,100	1,559	541
Gasoline and diesel				-
Travel	3,800	3,800	2,675	1,125
Mayor expense	300	300	-	300
Council's expense	500	500	1,545	(1,045)
Town manager's expense	250	250	-	250
Attorney/consultant	29,000	29,000	19,586	9,414
Drug & Alcohol testing	2,000	2,000	563	1,437

GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
General and Financial Administration: (Continued)				
Employee X-mas benefit	\$ 4,000	\$ 4,000	\$ 1,575	\$ 2,425
Dues	3,000	3,000	3,918	(918)
VML conference	1,000	1,000	-	1,000
Advertising	11,000	11,000	18,228	(7,228)
Building maintenance	5,000	5,000	4,904	96
Electricity	14,500	14,500	14,081	419
Heating oil and gas	3,500	3,500	1,490	2,010
Virginia Fire Program / CVFC	10,000	10,000	11,910	(1,910)
EOC operations and training	1,500	1,500	1,106	394
Special projects	7,000	7,000	13,904	(6,904)
Pony penning	5,000	5,000	5,307	(307)
Deer de-pop program	8,500	8,500	10,642	(2,142)
Telephone bills	14,000	14,000	23,607	(9,607)
Optimum choice - retirees	46,000	46,000	64,318	(18,318)
Insurance - retired spouses and others	20,796	20,796	14,639	6,157
Miscellaneous	7,814	7,814	20,906	(13,092)
Cemetery cleanup donation	1,500	1,500	700	800
VOLSAP for volunteer firefighters	2,640	2,640	2,790	(150)
Office equipment	6,000	6,000	3,313	2,687
Planning consultants	1,000	1,000	-	1,000
VA commission for the arts	10,000	10,000	13,936	(3,936)
Total general and financial administration	\$ 1,361,600	\$ 1,361,600	\$ 1,363,648	\$ (2,048)
Total general government administration	\$ 1,389,440	\$ 1,389,440	\$ 1,391,488	\$ (2,048)
Public safety:				
Law enforcement and traffic control:				
Salaries for officers	\$ 471,678	\$ 471,678	\$ 434,273	\$ 37,405
Overtime	8,500	8,500	7,273	1,227
Social security	38,295	38,295	31,052	7,243
Hospitalization	32,160	32,160	33,462	(1,302)
Retirement	48,496	48,496	39,996	8,500
VRS life insurance	2,329	2,329	946	1,383
Travel and training	8,000	8,000	7,090	910
Uniform allowance (Officer's)	6,000	6,000	4,583	1,417
Uniforms (Town)	1,500	1,500	1,177	323
Police conference	400	400	175	225
Photography	300	300	-	300
Office supplies & equipment maintenance	9,000	9,000	10,312	(1,312)
Equipment repairs & supplies	3,500	3,500	3,620	(120)
Vehicle maintenance	5,000	5,000	9,634	(4,634)
Drug enforcement	5,000	5,000	3,740	1,260

GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Academy dues	\$ 3,800	\$ 3,800	\$ -	\$ 3,800
Bicycle patrol	200	200	-	200
Community / youth programs	20,000	20,000	57,272	(37,272)
Grant funded expenditures	5,000	5,000	6,395	(1,395)
Ammunition	1,400	1,400	3,652	(2,252)
Drug dog	3,500	3,500	3,322	178
Pager service	3,600	3,600	2,950	650
Sundry	1,200	1,200	737	463
Gasoline	18,000	18,000	17,453	547
Grant funded patrol vehicle	-	-	6,323	(6,323)
SRTS program projects	17,040	17,040	10,310	6,730
Patrol vehicle	27,500	27,500	31,856	(4,356)
Total law enforcement and traffic control	\$ 741,398	\$ 741,398	\$ 727,603	\$ 13,795
Police 911 Dispatch:				
Salaries for officers	\$ 189,488	\$ 189,488	\$ 133,705	\$ 55,783
Overtime	2,000	2,000	3,421	(1,421)
Social security	14,493	14,493	9,312	5,181
Hospitalization	22,687	22,687	12,460	10,227
Retirement	10,205	10,205	8,191	2,014
VRS life insurance	487	487	190	297
Travel and training	2,500	2,500	330	2,170
Uniform allowance	1,400	1,400	272	1,128
Uniform (Town for dispatch)	1,500	1,500	1,371	129
Office supplies / equipment maintenance	19,000	19,000	17,125	1,875
E-911 line fees	7,000	7,000	7,527	(527)
Sundry	200	200	85	115
911 addressing	1,100	1,100	213	887
911 equipment replacement / reserve	5,000	5,000	-	5,000
Total police 911 dispatch	\$ 277,060	\$ 277,060	\$ 194,202	\$ 82,858
Total public safety	\$ 1,018,458	\$ 1,018,458	\$ 921,805	\$ 96,653
Public works:				
Administrative :				
Salaries	\$ 81,763	\$ 81,763	\$ 79,150	\$ 2,613
Overtime	500	500	92	408
Social security	6,293	6,293	5,872	421
Hospitalization	13,833	13,833	10,104	3,729
Retirement	7,777	7,777	7,206	571
VRS life insurance	339	339	152	187
Office supplies	500	500	516	(16)

GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Administrative: (Continued)				
Gasoline and diesel	\$ 22,875	\$ 22,875	\$ 31,023	\$ (8,148)
Oil / grease	1,500	1,500	1,304	196
Tools	2,000	2,000	2,062	(62)
Travel	1,250	1,250	107	1,143
Uniforms	1,175	1,175	1,788	(613)
Building maintenance	1,500	1,500	1,282	218
Equipment repairs	10,000	10,000	9,353	647
Safety	250	250	578	(328)
Vehicle maintenance	500	500	999	(499)
Tires	2,000	2,000	1,608	392
Street maintenance	1,000	1,000	280	720
Street signs/911	2,000	2,000	2,600	(600)
Street lights	59,000	59,000	66,500	(7,500)
Tipping fees	1,200	1,200	4,215	(3,015)
Sanitation service contracts	374,344	374,344	375,513	(1,169)
Garage supplies	2,000	2,000	1,741	259
Vehicle repairs	6,000	6,000	6,546	(546)
Electricity	7,500	7,500	5,801	1,699
LP gas	2,000	2,000	3,439	(1,439)
Vehicle	-	-	17,770	(17,770)
Miscellaneous	1,500	1,500	1,859	(359)
Total public works administrative	\$ 610,599	\$ 610,599	\$ 639,460	\$ (28,861)
Facilities department:				
Salaries	\$ 218,721	\$ 218,721	\$ 218,105	\$ 616
Overtime	3,000	3,000	2,487	513
Social security	16,962	16,962	15,754	1,208
Hospitalization	36,589	36,589	37,287	(698)
Retirement	19,984	19,984	18,632	1,352
VRS life insurance	935	935	468	467
Seasonal décor & banners	2,000	2,000	11,515	(9,515)
Uniforms	5,179	5,179	5,764	(585)
Tools	750	750	678	72
Other facilities expenses	-	-	188	(188)
Comfort station	2,000	2,000	5,246	(3,246)
Electricity	3,500	3,500	5,886	(2,386)
Sundry	200	200	300	(100)
Park across the school	200	200	-	200
Boat ramp repairs	2,000	2,000	528	1,472
Island nature trail	1,000	1,000	2,000	(1,000)
Vandalism	2,000	2,000	1,975	25
Total facilities department	\$ 315,020	\$ 315,020	\$ 326,813	\$ (11,793)

GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Roads department:				
Salaries	\$ 72,855	\$ 72,855	\$ 72,132	\$ 723
Overtime	2,000	2,000	4,306	(2,306)
Social security	5,726	5,726	5,518	208
Hospitalization	12,130	12,130	11,766	364
Retirement	7,755	7,755	7,370	385
VRS life insurance	367	367	150	217
Snow removal	1,000	1,000	11,489	(10,489)
Maintenance coating and replacement	302,665	302,665	236,638	66,027
Sidewalks and gutters	30,000	30,000	39,720	(9,720)
Signs and traffic control	20,000	20,000	11,912	8,088
Roadside structures	3,000	3,000	1,217	1,783
Drainage maintenance	50,000	50,000	37,626	12,374
Traffic control operations	1,500	1,500	1,307	193
Traffic control devices	-	-	6,957	(6,957)
Work zone safety	-	-	625	(625)
Engineering	5,000	5,000	9,741	(4,741)
Electricity	14,000	14,000	9,877	4,123
Total roads department	\$ 527,998	\$ 527,998	\$ 468,351	\$ 59,647
Total public works department	\$ 1,453,617	\$ 1,453,617	\$ 1,434,624	\$ 18,993
Health:				
Mosquito control:				
Salaries	\$ 41,338	\$ 41,338	\$ 26,407	\$ 14,931
Overtime	1,000	1,000	9,288	(8,288)
Social security	3,239	3,239	2,670	569
Hospitalization	277	277	644	(367)
Retirement	310	310	320	(10)
Insurance	8,115	8,115	10	8,105
Chemicals	31,100	31,100	55,158	(24,058)
Gasoline	2,875	2,875	3,510	(635)
Tools and small equipment	1,000	1,000	113	887
Uniforms	500	500	545	(45)
Contract spraying	23,000	23,000	28,700	(5,700)
Travel	300	300	95	205
Equipment repairs and maintenance	1,000	1,000	2,964	(1,964)
Safety equipment	400	400	144	256
Vehicle maintenance	1,000	1,000	100	900
Sundry	200	200	-	200
Equipment	12,990	12,990	8,573	4,417
Drainage projects	22,250	22,250	9,684	12,566
Total health	\$ 150,894	\$ 150,894	\$ 148,925	\$ 1,969

GOVERNMENTAL FUNDS

Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation expenses	\$ 3,000	\$ 3,000	\$ 12,375	\$ (9,375)
Total parks and recreation	\$ 3,000	\$ 3,000	\$ 12,375	\$ (9,375)
Debt service:				
Principal retirement	\$ 67,168	\$ 67,168	\$ 67,549	\$ (381)
Interest and fiscal charges	15,789	15,789	15,407	382
Total debt service	\$ 82,957	\$ 82,957	\$ 82,956	\$ 1
Total General Fund	\$ 4,098,366	\$ 4,098,366	\$ 3,992,173	\$ 106,193
Special revenue funds:				
Main Street Revitalization Fund:				
Public Works:				
Main street project	\$ 346,920	\$ 346,920	\$ 41,223	\$ 305,697
Total Main Street Revitalization Fund	\$ 346,920	\$ 346,920	\$ 41,223	\$ 305,697
Trolley Fund:				
Community Development:				
Salaries	\$ 30,000	\$ 30,000	\$ 29,019	\$ 981
Social security	2,400	2,400	2,223	177
Insurance	4,000	4,000	3,340	660
Advertising	-	-	865	(865)
Printing and reproduction	3,500	3,500	3,304	196
Fuel	8,000	8,000	6,469	1,531
Communication services	1,000	1,000	818	182
Equipment repairs and maintenance	9,000	9,000	6,940	2,060
Supplies and materials	1,450	1,450	159	1,291
Tires and tubes	550	550	50	500
Parts	2,000	2,000	683	1,317
Drug and alcohol testing	1,000	1,000	767	233
RTAP expenses	5,000	5,000	5,392	(392)
Other expenses	-	-	1,935	(1,935)
Education and training	500	500	85	415
Rent expense	12,000	12,000	12,000	-
Membership dues	-	-	125	(125)
Travel	-	-	306	(306)
Uniforms	-	-	654	(654)
Total Trolley Fund	\$ 80,400	\$ 80,400	\$ 75,134	\$ 5,266
Total Special Revenue Funds	\$ 427,320	\$ 427,320	\$ 116,357	\$ 310,963
Grand total expenditures	\$ 4,525,686	\$ 4,525,686	\$ 4,108,530	\$ 417,156

Statistical Tables

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-Wide Expenses by Function
Last Four Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Health	Recreation and Cultural
2006-07	\$ 1,161,441	\$ 720,011	\$ 1,503,341	\$ 107,843	\$ 5,963
2007-08	1,360,353	781,964	1,546,918	112,337	6,521
2008-09	1,420,705	830,795	1,315,779	147,958	6,096
2009-10	1,487,913	909,618	1,412,619	148,925	12,375

Table 1

Community Development		Interest on Debt		Curtis Meritt Harbor		Water & Sewer		Total	
\$	174,856	\$	25,831	\$	109,186	\$	679,255	\$	4,487,727
	177,831		21,788		115,181		903,796		5,026,689
	261,057		17,792		125,690		920,746		5,046,618
	166,394		15,407		103,415		951,762		5,208,428

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-Wide Revenues
Last Four Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2006-07	\$ 1,054,249	\$ 775,334	\$ 851,290
2007-08	1,315,948	708,182	19,684
2008-09	1,325,610	820,662	347,277
2009-10	1,331,747	772,528	168,623

Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Grants and Contributions Not Restricted To Specific Programs	Revenues from the Use of Money & Property	Miscellaneous	Total
\$ 822,130	\$ 1,507,985	\$ 154,270	\$ 182,251	\$ 342,532	\$ 5,690,041
813,282	1,528,567	140,406	120,511	490,311	5,136,891
859,376	1,645,528	171,094	62,893	438,082	5,670,522
853,338	1,565,711	150,435	48,839	526,048	5,417,269

TOWN OF CHINCOTEAGUE, VIRGINIA

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

Fiscal Year		General Property Taxes		Other Local Taxes		Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property
2000-01	\$	861,790	\$	1,393,402	\$	53,880	\$	11,953	\$	127,563
2001-02		876,485		1,455,585		36,627		23,613		59,500
2002-03		885,848		1,418,916		29,714		22,003		48,966
2003-04		751,139		1,438,481		33,078		33,255		33,638
2004-05		778,175		1,436,473		40,617		38,138		82,501
2005-06		808,874		1,515,488		40,134		32,165		154,049
2006-07		809,044		1,507,985		92,633		40,505		151,160
2007-08		809,016		1,528,567		86,291		57,098		98,671
2008-09		857,054		1,645,528		44,770		54,551		58,196
2009-10		857,137		1,565,711		48,626		34,343		32,269

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

Table 3

Charges for Services	Miscellaneous	Inter- governmental	Total
\$ 646,981	\$ 92,337	\$ 633,081	\$ 3,820,987
696,390	123,351	1,054,462	4,326,013
705,427	121,207	756,611	3,988,692
32,131	206,773	991,815	3,520,310
694,013	136,031	2,200,914	5,406,862
776,139	152,672	1,127,987	4,607,508
31,938	342,532	1,580,894	4,556,691
192,088	490,311	868,272	4,130,314
289,360	438,082	1,156,139	4,543,680
210,837	526,048	944,696	4,219,667

TOWN OF CHINCOTEAGUE, VIRGINIA

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

Fiscal Year	General Administration	Public Safety	Public Works	Health	Parks Recreation and Cultural
2000-01	\$ 734,739	\$ 549,793	\$ 1,492,271	\$ -	\$ 15,252
2001-02	715,985	570,009	1,447,429	-	2,990
2002-03	756,934	597,034	1,449,852	-	39,875
2003-04	896,108	672,325	1,341,483	135,721	3,204
2004-05	819,788	658,197	3,423,435	134,847	5,209
2005-06	895,076	655,549	1,721,171	126,340	5,105
2006-07	1,095,794	716,492	1,425,515	128,767	5,963
2007-08	1,271,932	798,460	1,429,840	162,713	6,521
2008-09	1,337,268	1,075,647	1,498,998	147,958	6,096
2009-10	1,391,488	921,805	1,434,624	148,925	12,375

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

Table 4

Community Development	Capital Outlays & Non- Departmental	Debt Service	Total
\$ 148,190	\$ -	\$ 466,089	\$ 3,406,334
735,135	-	290,285	3,761,833
307,791	-	2,153,457	5,304,943
267,753	-	-	3,316,594
549,501	-	123,871	5,714,848
408,650	4,313,331	247,391	8,372,613
157,203	-	111,558	3,641,292
127,794	-	111,232	3,908,492
211,020	-	82,956	4,359,943
116,357	-	82,956	4,108,530

Schedule of Legal Debt Margin
Year Ended June 30, 2010

Assessed value of real estate subject to taxation	\$ <u>1,052,347,600</u>
Legal Debt Limit	
10% of Assessed Value of Taxable Real Estate:	
\$1,052,347,600	\$ 105,234,760
Deduct:	
Bonds Payable	<u>3,131,797</u>
Legal Margin for Creation of Additional Debt	\$ <u>102,102,963</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2000-01	\$ 825,560	\$ 724,654	87.78%	\$ 38,766	\$ 763,420	92.47%	\$ 125,482	15.20%
2001-02	842,305	824,044	97.83%	30,572	854,616	101.46%	114,251	13.56%
2002-03	873,915	852,047	97.50%	19,236	871,283	99.70%	103,651	11.86%
2003-04	748,201	729,274	97.47%	57,002	786,276	105.09%	73,392	9.81%
2004-05	891,890	859,856	96.41%	26,007	885,863	99.32%	45,632	5.12%
2005-06	932,282	884,070	94.83%	43,658	927,728	99.51%	45,354	4.86%
2006-07	950,099	908,060	95.58%	30,230	938,290	98.76%	60,197	6.34%
2007-08	970,625	906,650	93.41%	28,747	935,397	96.37%	66,560	6.86%
2008-09	963,352	924,964	96.02%	49,368	974,332	101.14%	66,932	6.95%
2009-10	943,750	900,463	95.41%	51,760	952,223	100.90%	62,131	6.58%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate (1)		Personal Property		Public Service (2)		Mobile Homes		Total
2000-01	\$	316,575,500	\$	32,954,352	\$	6,933,429	\$	5,702,324	\$	362,165,605
2001-02		321,696,800		31,733,056		7,109,706		5,376,548		365,916,110
2002-03		326,430,600		34,272,002		6,390,360		4,971,072		372,064,034
2003-04		440,812,300		33,521,332		7,940,325		5,530,676		487,804,633
2004-05		447,809,600		37,579,657		6,957,704		6,486,327		498,833,288
2005-06		457,487,200		40,581,041		6,582,279		7,010,375		511,660,895
2006-07		469,887,800		41,001,502		4,599,998		6,387,094		521,876,394
2007-08		488,573,400		40,199,628		3,935,559		6,143,032		538,851,619
2008-09		1,051,967,400		38,550,391		10,326,014		6,403,048		1,107,246,853
2009-10		1,052,347,600		37,938,018		12,235,717		6,468,650		1,108,989,985

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate		Personal Property		Mobile Homes		Public Service	
							Real Estate	Personal Property
2000-01	\$	0.18	\$	0.85	\$	0.18	\$ 0.18	0.85
2001-02		0.18		0.85		0.18	0.18	0.85
2002-03		0.18		0.85		0.18	0.18	0.85
2003-04		0.18		0.85		0.18	0.18	0.85
2004-05		0.13		0.85		0.13	0.13	0.85
2005-06		0.13		0.85		0.13	0.13	0.85
2006-07		0.13		0.85		0.13	0.13	0.85
2007-08		0.13		0.85		0.13	0.13	0.85
2008-09		0.06		0.85		0.06	0.06	0.85
2009-10		0.06		0.85		0.06	0.06	0.85

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Less: Debt Service Monies Available	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	3,572	\$ 362,165,605	\$ 2,188,725	\$ 268,420	\$ 1,920,305	0.53%	\$ 538
2001-02	4,317	365,916,110	2,065,442	101,178	1,964,264	0.54%	455
2002-03	4,317	372,064,034	1,430,400	87,953	1,342,447	0.36%	311
2003-04	4,317	487,804,633	1,352,388	-	1,352,388	0.28%	313
2004-05	4,317	498,833,288	1,275,406	-	1,275,406	0.26%	295
2005-06	4,317	511,660,895	4,335,261	-	4,335,261	0.85%	1,004
2006-07	4,317	521,876,394	4,049,085	-	4,049,085	0.78%	938
2007-08	4,317	538,851,619	3,754,978	-	3,754,978	0.70%	870
2008-09	4,317	1,107,246,853	3,449,368	-	3,449,368	0.31%	799
2009-10	4,317	1,108,989,985	3,131,797	-	3,131,797	0.28%	725

(1) Tayloe Murphy Institute, University of Virginia.

(2) From Table 7.

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

Excludes revenue bonds, capital leases, and compensated absences.

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chincoteague, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Chincoteague, Virginia's basic financial statements and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chincoteague, 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*.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 17, 2010