



Financial Report

YEAR ENDED JUNE 30, 2014

TOWN OF CHINCOTEAGUE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

TOWN OF CHINCOTEAGUE, VIRGINIA

- TOWN COUNCIL -

John H. Tarr, Mayor

J. Arthur Leonard
Ben G. Ellis, Jr.
James T. Frese

Ellen W. Richardson
John N. Jester, Jr.
Gene Wayne Taylor

- 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, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-8
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	9
Exhibit 2 Statement of Activities	10-11
Fund Financial Statements:	
Exhibit 3 Balance Sheet–Governmental Funds	12
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	13
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Exhibit 6 Statement of Net Position–Proprietary Funds	15
Exhibit 7 Statement of Revenues, Expenses and Changes in Net Position–Proprietary Funds	16
Exhibit 8 Statement of Cash Flows–Proprietary Funds	17
Notes to Financial Statements	18-42
<u>Required Supplementary Information:</u>	
Exhibit 9 Schedule of Revenues, Expenditures and Change in Fund Balance–Budget and Actual–General Fund	43
Exhibit 10 Schedule of Pension Funding Progress for the Virginia Retirement System	44
<u>Other Supplementary Information:</u>	
Exhibit 11 Combining Balance Sheet–Nonmajor Governmental Funds	45
Exhibit 12 Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds	46

TOWN OF CHINCOTEAGUE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS: (CONTINUED)

Page

Other Supplementary Information: (continued)

Supporting Schedules:

Schedule 1	Governmental Funds–Schedule of Revenues–Budget and Actual	47-49
Schedule 2	Governmental Funds–Schedule of Expenditures–Budget and Actual	50-55

Statistical Tables:

Table 1	Government-wide Expenses by Function	56-57
Table 2	Government-wide Revenues	58-59
Table 3	General Governmental Revenues by Source	60-61
Table 4	General Governmental Expenditures by Function	62-63
Table 5	Schedule of Legal Debt Margin	64
Table 6	Property Tax Levies and Collections–Last Ten Fiscal Years	65
Table 7	Assessed Value of Taxable Property–Last Ten Fiscal Years	66
Table 8	Property Tax Rates–Last Ten Fiscal Years	67
Table 9	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita–Last Ten Fiscal Years	68

Compliance:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	71-72
Schedule of Expenditures of Federal Awards	73
Notes to Schedule of Expenditures of Federal Awards	74
Schedule of Findings and Questioned Costs	75

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress on pages 4-8, 43, and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Chincoteague, Virginia's basic financial statements. The combining fund financial statements, supporting schedules, and statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Town of Chincoteague, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chincoteague, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
September 26, 2014

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Chincoteague, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,881,298 (net position). Of this amount \$3,975,361 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's funds reported combined ending fund balances of \$3,132,930, an increase of \$137,751 in comparison with the prior year. Approximately sixty-two percent of this total amount, \$1,955,606 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased \$370,329 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$15,881,298 at the close of the most recent fiscal year.

Town of Chincoteague, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,672,549	\$ 3,315,937	\$ 1,018,883	\$ 908,088	\$ 4,691,432	\$ 4,224,025
Capital assets	<u>7,156,658</u>	<u>6,776,369</u>	<u>6,512,868</u>	<u>6,890,779</u>	<u>13,669,526</u>	<u>13,667,148</u>
Total assets	<u>\$ 10,829,207</u>	<u>\$ 10,092,306</u>	<u>\$ 7,531,751</u>	<u>\$ 7,798,867</u>	<u>\$ 18,360,958</u>	<u>\$ 17,891,173</u>
Current liabilities	\$ 455,661	\$ 225,853	\$ 381,197	\$ 351,203	\$ 836,858	\$ 577,056
Long-term liabilities outstanding	<u>162,482</u>	<u>241,386</u>	<u>1,344,829</u>	<u>1,642,030</u>	<u>1,507,311</u>	<u>1,883,416</u>
Total liabilities	<u>\$ 618,143</u>	<u>\$ 467,239</u>	<u>\$ 1,726,026</u>	<u>\$ 1,993,233</u>	<u>\$ 2,344,169</u>	<u>\$ 2,460,472</u>
Deferred inflow	<u>\$ 135,491</u>	<u>\$ 142,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,491</u>	<u>\$ 142,334</u>
Net investment in capital assets Unrestricted	\$ 7,058,206 <u>3,017,367</u>	\$ 6,589,922 <u>2,892,811</u>	\$ 4,889,146 <u>916,579</u>	\$ 4,974,723 <u>830,911</u>	\$ 11,947,352 <u>3,933,946</u>	\$ 11,564,645 <u>3,723,722</u>
Total net position	<u>\$ 10,075,573</u>	<u>\$ 9,482,733</u>	<u>\$ 5,805,725</u>	<u>\$ 5,805,634</u>	<u>\$ 15,881,298</u>	<u>\$ 15,288,367</u>

A large part of the Town's net position, \$11,947,352 or (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased the Town's net position by \$592,840 while business-type activities increased net position by \$91. Key elements of these changes are as follows:

Town of Chincoteague, Virginia's Changes in Net Position For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 416,294	\$ 433,014	\$ 1,297,969	\$ 1,368,071	\$ 1,714,263	\$ 1,801,085
Operating grants and contributions	879,295	888,124	-	-	879,295	888,124
Capital grants and contributions	537,999	180,369	-	0	537,999	180,369
General revenues:						
General property taxes	872,343	847,876	-	-	872,343	847,876
Other local taxes	2,196,011	2,046,326	-	-	2,196,011	2,046,326
Grants and contributions not restricted to specific programs	325,817	318,578	-	-	325,817	318,578
Other general revenues	202,860	187,624	2,455	573	205,315	188,197
Total revenues	\$ 5,430,619	\$ 4,901,911	\$ 1,300,424	\$ 1,368,644	\$ 6,731,043	\$ 6,270,555
Expenses:						
General government administration	\$ 1,647,063	\$ 1,673,643	\$ -	\$ -	\$ 1,647,063	\$ 1,673,643
Public safety	1,090,139	987,468	-	-	1,090,139	987,468
Public works	987,050	1,815,298	-	-	987,050	1,815,298
Health	106,701	150,080	-	-	106,701	150,080
Parks, recreation, and cultural	125,722	62,239	-	-	125,722	62,239
Community development	873,009	200,658	-	-	873,009	200,658
Interest and other fiscal charges	4,845	7,715	-	-	4,845	7,715
Water	-	-	1,045,620	990,223	1,045,620	990,223
Curtis Merritt Harbor	-	-	257,963	271,160	257,963	271,160
Total expenses	\$ 4,834,529	\$ 4,897,101	\$ 1,303,583	\$ 1,261,383	\$ 6,138,112	\$ 6,158,484
Increase in net position before transfers	\$ 596,090	\$ 4,810	\$ (3,159)	\$ 107,251	\$ 592,931	\$ 112,061
Transfers	(3,250)	-	3,250	-	-	-
Increase (decrease) in net position	\$ 592,840	\$ 4,810	\$ 91	\$ 107,251	\$ 592,931	\$ 112,061
Net position, July 1, 2013	9,482,733	9,477,923	5,805,634	5,698,383	15,288,367	15,176,306
Net position, June 30, 2014	\$ 10,075,573	\$ 9,482,733	\$ 5,805,725	\$ 5,805,634	\$ 15,881,298	\$ 15,288,367

Financial Analysis of the Town's Funds

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,132,930 an increase of \$137,751 in comparison with the prior year. A large part of this total amount, \$1,955,606 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance total \$1,955,606 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$4,796,981 in revenues during the year, which was \$346,613 more than budgeted (reference Exhibit 9). The Town's General Fund expended \$4,475,644 during the year, which was \$88,164 less than budgeted (reference Exhibit 9).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2014 totals \$7,156,658 (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 \$6,776,369 results in an increase of \$380,289. This increase is due primarily to current year additions being exceeded by current year depreciation expense. The Water Fund's capital assets decreased from \$5,358,354 to \$5,031,835.

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

Debt

During the year the Town's debt decreased \$370,329 as it repaid principal on general obligation debt in the General Fund (\$77,995) and in the Water Fund (\$292,334). 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 Town of Chincoteague, 6150 Community Drive, Chincoteague, Virginia 23336.

This page intentionally left blank

Basic Financial Statements

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position
June 30, 2014

	Primary Government		Component Unit	
	Governmental Activities	Business-type Activities	Convention Center	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,949,518	\$ 720,982	\$ 3,670,500	\$ 54,351
Receivables (net of allowance for uncollectibles):				
Property taxes	47,519	-	47,519	-
Accounts receivable	209,456	231,063	440,519	-
Prepays	118,329	36,816	155,145	-
Due from other governments	347,727	-	347,727	-
Inventory	-	30,022	30,022	-
Total Current Assets	\$ 3,672,549	\$ 1,018,883	\$ 4,691,432	\$ 54,351
Noncurrent Assets				
Capital assets (net of accumulated depreciation):				
Land	\$ 2,540,317	\$ -	\$ 2,540,317	\$ -
Construction in progress	588,578	-	588,578	-
Land improvements	156,901	-	156,901	10,039
Dock and improvements	-	1,311,541	1,311,541	-
Buildings and improvements	888,776	-	888,776	652,431
Infrastructure	2,263,849	4,975,269	7,239,118	-
Equipment	718,237	226,058	944,295	5,092
Total Capital Assets	\$ 7,156,658	\$ 6,512,868	\$ 13,669,526	\$ 667,562
Total Assets	\$ 10,829,207	\$ 7,531,751	\$ 18,360,958	\$ 721,913
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 133,864	\$ 29,554	\$ 163,418	\$ 815
Reconciled overdraft	203,452	-	203,452	-
Accrued payroll and related liabilities	22,508	-	22,508	2,915
Unearned revenue	-	44,855	44,855	15,385
Current portion of long-term obligations	95,837	306,788	402,625	9,394
Total Current Liabilities	\$ 455,661	\$ 381,197	\$ 836,858	\$ 28,509
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	162,482	1,344,829	1,507,311	9,395
Total Liabilities	\$ 618,143	\$ 1,726,026	\$ 2,344,169	\$ 37,904
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 135,491	\$ -	\$ 135,491	\$ -
NET POSITION				
Net investment in capital assets	\$ 7,058,206	\$ 4,889,146	\$ 11,947,352	\$ 648,773
Unrestricted	3,017,367	916,579	3,933,946	35,236
Total Net Position	\$ 10,075,573	\$ 5,805,725	\$ 15,881,298	\$ 684,009
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,829,207	\$ 7,531,751	\$ 18,360,958	\$ 721,913

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

TOWN OF CHINCOTEAGUE, VIRGINIA

Statement of Activities
 Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,647,063	\$ 7,000	\$ 6,404	\$ -
Public safety	1,090,139	99,153	182,343	-
Public works	987,050	301,183	601,869	537,999
Health	106,701	-	-	-
Parks, recreation, and cultural	125,722	-	-	-
Community development	873,009	8,958	88,679	-
Interest on long-term debt	4,845	-	-	-
Total governmental activities	<u>\$ 4,834,529</u>	<u>\$ 416,294</u>	<u>\$ 879,295</u>	<u>\$ 537,999</u>
Business-type activities:				
Water	\$ 1,045,620	\$ 1,098,279	\$ -	\$ -
Curtis Merritt Harbor	257,963	199,690	-	-
Total business-type activities	<u>\$ 1,303,583</u>	<u>\$ 1,297,969</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 6,138,112</u>	<u>\$ 1,714,263</u>	<u>\$ 879,295</u>	<u>\$ 537,999</u>
COMPONENT UNIT:				
Convention Center	<u>\$ 208,212</u>	<u>\$ 41,553</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Convention Center	
\$ (1,633,659)	\$ -	\$ (1,633,659)	\$ -	-
(808,643)	-	(808,643)	-	-
454,001	-	454,001	-	-
(106,701)	-	(106,701)	-	-
(125,722)	-	(125,722)	-	-
(775,372)	-	(775,372)	-	-
(4,845)	-	(4,845)	-	-
<u>\$ (3,000,941)</u>	<u>\$ -</u>	<u>\$ (3,000,941)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 52,659	\$ 52,659	\$ -	-
-	(58,273)	(58,273)	-	-
<u>\$ -</u>	<u>\$ (5,614)</u>	<u>\$ (5,614)</u>	<u>\$ -</u>	<u>-</u>
\$ (3,000,941)	\$ (5,614)	\$ (3,006,555)	\$ -	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166,659)</u>	<u>-</u>
\$ 872,343	\$ -	\$ 872,343	\$ -	-
130,245	-	130,245	-	-
680,257	-	680,257	-	-
127,978	-	127,978	-	-
944,531	-	944,531	-	-
194,718	-	194,718	-	-
118,282	-	118,282	-	-
33,290	2,455	35,745	41	-
169,570	-	169,570	-	-
325,817	-	325,817	162,176	-
(3,250)	3,250	-	-	-
<u>\$ 3,593,781</u>	<u>\$ 5,705</u>	<u>\$ 3,599,486</u>	<u>\$ 162,217</u>	<u>-</u>
\$ 592,840	\$ 91	\$ 592,931	\$ (4,442)	-
9,482,733	5,805,634	15,288,367	688,451	-
<u>\$ 10,075,573</u>	<u>\$ 5,805,725</u>	<u>\$ 15,881,298</u>	<u>\$ 684,009</u>	<u>-</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Balance Sheet - Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,897,456	\$ 52,062	\$ 2,949,518
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	47,519	-	47,519
Accounts	207,505	1,951	209,456
Prepays	118,329	-	118,329
Due from other governmental units	14,906	332,821	347,727
Total assets	<u>\$ 3,285,715</u>	<u>\$ 386,834</u>	<u>\$ 3,672,549</u>
LIABILITIES			
Accounts payable	\$ 98,523	\$ 35,341	\$ 133,864
Reconciled overdraft	-	203,452	203,452
Accrued liabilities	22,508	-	22,508
Total liabilities	<u>\$ 121,031</u>	<u>\$ 238,793</u>	<u>\$ 359,824</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 179,795	-	\$ 179,795
FUND BALANCES			
Nonspendable:			
Prepays	\$ 118,329	-	\$ 118,329
Committed:			
Main Street revitalization	\$ -	\$ 94,078	\$ 94,078
Safe routes to schools	36,756	-	36,756
Trolley	-	53,963	53,963
Total Committed Fund Balance	<u>\$ 36,756</u>	<u>\$ 148,041</u>	<u>\$ 184,797</u>
Assigned:			
Drainage	\$ 190,617	-	\$ 190,617
Boat ramp repairs	221,136	-	221,136
Land acquisition	13,600	-	13,600
Playground equipment	16,864	-	16,864
Beach - various	143,702	-	143,702
Retirees	40,683	-	40,683
Mosquito control	247,596	-	247,596
Total Assigned Fund Balance	<u>\$ 874,198</u>	<u>\$ -</u>	<u>\$ 874,198</u>
Unassigned fund balance	<u>\$ 1,955,606</u>	<u>\$ -</u>	<u>\$ 1,955,606</u>
Total fund balances	<u>\$ 2,984,889</u>	<u>\$ 148,041</u>	<u>\$ 3,132,930</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,285,715</u>	<u>\$ 386,834</u>	<u>\$ 3,672,549</u>

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

Fund balance of governmental funds \$ 3,132,930

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 position includes those capital assets among the assets of the town as a whole. 7,156,658

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 inflows in the governmental funds and thus are not included in the fund balance. 44,304

Long-term liabilities applicable to the town'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 position. (258,319)

Net position of General Governmental Activities \$ 10,075,573

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, 2014

	General	Other Governmental Funds	Total
Revenues:			
General property taxes	\$ 873,378	\$ -	\$ 873,378
Other local taxes	2,196,011	-	2,196,011
Permits, privilege fees and regulatory licenses	42,016	-	42,016
Fines and forfeitures	34,650	-	34,650
Revenue from use of money and property	27,903	5,387	33,290
Charges for services	332,020	7,608	339,628
Miscellaneous	169,570	-	169,570
Intergovernmental:			
Commonwealth	1,109,825	14,113	1,123,938
Federal	11,608	607,565	619,173
Total revenues	<u>\$ 4,796,981</u>	<u>\$ 634,673</u>	<u>\$ 5,431,654</u>
Expenditures:			
Current:			
General government administration	\$ 1,577,293	\$ -	\$ 1,577,293
Public safety	1,081,265	-	1,081,265
Public works	1,545,364	-	1,545,364
Health	106,701	-	106,701
Parks, recreation, and cultural	82,181	-	82,181
Community development	-	815,009	815,009
Debt service:			
Principal retirement	77,995	-	77,995
Interest and other fiscal charges	4,845	-	4,845
Total expenditures	<u>\$ 4,475,644</u>	<u>\$ 815,009</u>	<u>\$ 5,290,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 321,337</u>	<u>\$ (180,336)</u>	<u>\$ 141,001</u>
Other financing sources (uses):			
Transfers in	\$ 112,500	\$ 282,363	\$ 394,863
Transfers (out)	<u>(285,613)</u>	<u>(112,500)</u>	<u>(398,113)</u>
Total other financing sources (uses)	<u>\$ (173,113)</u>	<u>\$ 169,863</u>	<u>\$ (3,250)</u>
Changes in fund balances	\$ 148,224	\$ (10,473)	\$ 137,751
Fund balances at beginning of year	<u>2,836,665</u>	<u>158,514</u>	<u>2,995,179</u>
Fund balances at end of year	<u>\$ 2,984,889</u>	<u>\$ 148,041</u>	<u>\$ 3,132,930</u>

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, 2014

		Governmental Funds
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Net change in fund balances - total governmental funds	\$	137,751
<p>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:</p>		
Capital outlay	\$ 750,624	
Depreciation expense	<u>(370,335)</u>	380,289
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,033)
<p>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 position. Also, governmental funds report the effect of 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:</p>		
Principal retired on long-term obligations		77,995
<p>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:</p>		
Change in compensated absences		<u>(2,162)</u>
Change in net position of governmental activities	\$	<u><u>592,840</u></u>

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

Statement of Net Position - Proprietary Funds
June 30, 2014

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Nonmajor Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 599,777	\$ 121,205	\$ 720,982
Accounts receivable	231,063	-	231,063
Inventory	-	30,022	30,022
Prepays	36,816	-	36,816
Total Current Assets	<u>\$ 867,656</u>	<u>\$ 151,227</u>	<u>\$ 1,018,883</u>
Noncurrent Assets			
Capital Assets			
Dock and improvements	\$ -	\$ 2,447,883	\$ 2,447,883
Infrastructure	8,683,341	-	8,683,341
Equipment	107,004	208,056	315,060
Accumulated depreciation	(3,758,510)	(1,174,906)	(4,933,416)
Total Capital Assets (net of accumulated depreciation)	<u>\$ 5,031,835</u>	<u>\$ 1,481,033</u>	<u>\$ 6,512,868</u>
Total Assets	<u>\$ 5,899,491</u>	<u>\$ 1,632,260</u>	<u>\$ 7,531,751</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 14,909	\$ 14,645	\$ 29,554
Current portion of compensated absences	2,212	577	2,789
Current portion of general obligation bonds	303,999	-	303,999
Unearned revenue	-	44,855	44,855
Total Current Liabilities	<u>\$ 321,120</u>	<u>\$ 60,077</u>	<u>\$ 381,197</u>
Noncurrent Liabilities			
Compensated absences	\$ 25,106	\$ -	\$ 25,106
General obligation bonds	1,319,723	-	1,319,723
Total Noncurrent Liabilities	<u>\$ 1,344,829</u>	<u>\$ -</u>	<u>\$ 1,344,829</u>
Total Liabilities	<u>\$ 1,665,949</u>	<u>\$ 60,077</u>	<u>\$ 1,726,026</u>
NET POSITION			
Net investment in capital assets	\$ 3,408,113	\$ 1,481,033	\$ 4,889,146
Unrestricted	<u>825,429</u>	<u>91,150</u>	<u>916,579</u>
Total Net Position	<u>\$ 4,233,542</u>	<u>\$ 1,572,183</u>	<u>\$ 5,805,725</u>
Total Liabilities and Net Position	<u>\$ 5,899,491</u>	<u>\$ 1,632,260</u>	<u>\$ 7,531,751</u>

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

Statement of Revenues, Expenses and Change in Net Position -
 Proprietary Funds
 Year Ended June 30, 2014

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Nonmajor Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,098,279	\$ 199,690	\$ 1,297,969
Total operating revenues	\$ 1,098,279	\$ 199,690	\$ 1,297,969
Operating expenses:			
Salaries	\$ 245,587	\$ 27,961	\$ 273,548
Fringe benefits	70,458	5,655	76,113
Contracted services	3,668	150,156	153,824
Internal service allocation	80,751	-	80,751
Miscellaneous operating expenses	212,432	7,299	219,731
Depreciation	359,424	66,892	426,316
Total operating expenses	\$ 972,320	\$ 257,963	\$ 1,230,283
Operating income (loss)	\$ 125,959	\$ (58,273)	\$ 67,686
Nonoperating revenues (expenses):			
Interest income	\$ 2,039	\$ 416	\$ 2,455
Interest expense	(73,300)	-	(73,300)
Total nonoperating revenues (expenses)	\$ (71,261)	\$ 416	\$ (70,845)
Income (loss) before transfers	\$ 54,698	\$ (57,857)	\$ (3,159)
Transfers:			
Transfers in	-	3,250	3,250
Change in net position	\$ 54,698	\$ (54,607)	\$ 91
Net position, beginning of year	4,178,844	1,626,790	5,805,634
Net position, end of year	\$ 4,233,542	\$ 1,572,183	\$ 5,805,725

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2014

	Major Fund <u>Water Fund</u>	Nonmajor Fund <u>Curtis Merritt Harbor Fund</u>	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,085,157	\$ 195,249	\$ 1,280,406
Payments to employees (including fringe benefits)	(308,116)	(33,992)	(342,108)
Payments for other operating activities	<u>(288,918)</u>	<u>(144,796)</u>	<u>(433,714)</u>
Net cash provided by (used for) operating activities	<u>\$ 488,123</u>	<u>\$ 16,461</u>	<u>\$ 504,584</u>
Cash flows from capital and related financing activities:			
Construction and acquisition of capital assets	\$ (32,905)	\$ (15,500)	\$ (48,405)
Transfers in (out) from other funds	-	3,250	3,250
Interest paid on debt	(73,300)	-	(73,300)
Retirement of general obligation bonds	<u>(292,334)</u>	<u>-</u>	<u>(292,334)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (398,539)</u>	<u>\$ (12,250)</u>	<u>\$ (410,789)</u>
Cash flows from investing activities:			
Interest income	\$ 2,039	\$ 416	\$ 2,455
Net cash provided by (used for) investing activities	<u>\$ 2,039</u>	<u>\$ 416</u>	<u>\$ 2,455</u>
Net increase (decrease) in cash and cash equivalents	\$ 91,623	\$ 4,627	\$ 96,250
Cash and cash equivalents at beginning of year	<u>508,154</u>	<u>116,578</u>	<u>624,732</u>
Cash and cash equivalents at end of year	<u><u>\$ 599,777</u></u>	<u><u>\$ 121,205</u></u>	<u><u>\$ 720,982</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 125,959	\$ (58,273)	\$ 67,686
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	359,424	66,892	426,316
Changes in operating assets and liabilities:			
(Increase)/Decrease in accounts receivable	(13,122)	-	(13,122)
(Increase)/Decrease in prepaid items	(400)	-	(400)
(Increase)/Decrease in inventory	-	(1,023)	(1,023)
Increase/(Decrease) in unearned revenue	-	(4,441)	(4,441)
Increase/(Decrease) in accounts payable and accrued liabilities	<u>16,262</u>	<u>13,306</u>	<u>29,568</u>
Net cash provided by (used in) operating activities	<u><u>\$ 488,123</u></u>	<u><u>\$ 16,461</u></u>	<u><u>\$ 504,584</u></u>

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effects of interfund activity 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 Position - The Statement of Net Position 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 Position and will report depreciation expense, the cost of "using up" capital asset, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

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

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

A. 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.

B. Individual Component Unit Disclosure

Blended Component Units: The Town has no blended component units to be included for the fiscal year ended June 30, 2014.

Discretely Presented Component Units: Chincoteague Recreation and Convention Center Authority members are appointed by the Chincoteague Town Council. The Convention Center was built to provide a recreational facility for the residents of Chincoteague as well as providing meeting rooms for conventions. The Center is fiscally dependent upon the Town for its operating revenues. The financial statements of the Chincoteague Recreation and Convention Center Authority are presented as a discrete presentation of the Town financial statements for the fiscal year ended June 30, 2014. 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 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.

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds consist of the Main Street Revitalization Fund, Broadband Fund, Housing Rehabilitation Fund, and Trolley Fund.

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

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

2. Proprietary Funds

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

Enterprise Funds

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

The Town reports the following major enterprise fund:

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

The Town reports the following nonmajor fund:

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the 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 budget to the current comparison of the final budget and actual results.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

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

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. 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 reported at fair value. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee. 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. 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.

G. Prepaid Items

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

H. Receivables and Payables

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

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 \$22,633 at June 30, 2014 and is comprised solely of property taxes.

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

I. Unbilled Water Revenue

The Town bills service charges to customers on a quarterly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$107,907.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

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

J. Inventory

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

K. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental 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 the asset's life 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.

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 systems	50
Buildings	40
Building improvements	20-40
Vehicles	3-5
Office and computer equipment, other equipment	5-10
Buses	12
Land improvements	10-20
Infrastructure	30-40
Dock and improvements	12-40

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

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

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and PPTRA and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

M. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

N. 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. Bonds payable are reported net of the applicable bond premium or discount.

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

O. 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.

P. 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.

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

Q. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

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

R. Net Position

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

S. Net Position Flow Assumption

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

T. Upcoming Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize 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).

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

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

The Town's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Interest Rate Risk

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

Rated Debt Investments' Values	
	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 62,936

External Investment Pools

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

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

The Town had receivables due from other governmental units at June 30, 2014 as follows:

	General Fund	Main Street Revitalization Fund	Total
Commonwealth of Virginia:			
Communication taxes	\$ 10,969	\$ -	\$ 10,969
Mobile home sales tax	2,937	-	2,937
Fire funds	1,000	-	1,000
Federal Government:			
VDOT - Highway planning and construction	-	332,821	332,821
Total	\$ 14,906	\$ 332,821	\$ 347,727

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of Capital Asset Activity for the year ended June 30, 2014 is as follows:

Governmental Activities:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital Assets not being depreciated:				
Land	\$ 2,540,317	\$ -	\$ -	\$ 2,540,317
Construction in progress	43,623	544,955	-	588,578
	<u>2,583,940</u>	<u>544,955</u>	<u>-</u>	<u>3,128,895</u>
Total capital assets not being depreciated	\$ 2,583,940	\$ 544,955	\$ -	\$ 3,128,895
Capital assets being depreciated:				
Buildings and improvements	\$ 3,046,006	\$ -	\$ -	\$ 3,046,006
Land improvements	284,954	-	-	284,954
Infrastructure	2,459,189	130,967	-	2,590,156
Equipment	2,581,671	74,702	-	2,656,373
	<u>8,371,820</u>	<u>205,669</u>	<u>-</u>	<u>8,577,489</u>
Total capital assets being depreciated	\$ 8,371,820	\$ 205,669	\$ -	\$ 8,577,489
Accumulated depreciation:				
Buildings and improvements	\$ 2,043,721	\$ 113,509	\$ -	\$ 2,157,230
Land improvements	114,311	13,742	-	128,053
Infrastructure	257,179	69,128	-	326,307
Equipment	1,764,180	173,956	-	1,938,136
	<u>4,179,391</u>	<u>370,335</u>	<u>-</u>	<u>4,549,726</u>
Total accumulated depreciation	\$ 4,179,391	\$ 370,335	\$ -	\$ 4,549,726
Total capital assets being depreciated, net	\$ 4,192,429	\$ (164,666)	\$ -	\$ 4,027,763
Net capital assets	\$ 6,776,369	\$ 380,289	\$ -	\$ 7,156,658

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Proprietary Funds:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Water Fund:				
Capital assets being depreciated:				
Infrastructure	\$ 8,671,005	\$ 12,336	\$ -	\$ 8,683,341
Equipment	86,435	20,569	-	107,004
Total capital assets being depreciated	\$ 8,757,440	\$ 32,905	\$ -	\$ 8,790,345
Accumulated depreciation:				
Infrastructure	\$ 3,355,712	\$ 352,360	\$ -	\$ 3,708,072
Equipment	43,374	7,064	-	50,438
Total accumulated depreciation	\$ 3,399,086	\$ 359,424	\$ -	\$ 3,758,510
Net capital assets	\$ 5,358,354	\$ (326,519)	\$ -	\$ 5,031,835
Curtis Merritt Harbor:				
Capital assets being depreciated:				
Dock and improvements	\$ 2,447,883	\$ -	\$ -	\$ 2,447,883
Equipment	192,556	15,500	-	208,056
Total capital assets being depreciated	\$ 2,640,439	\$ 15,500	\$ -	\$ 2,655,939
Accumulated depreciation:				
Dock and improvements	\$ 1,077,391	\$ 58,950	\$ -	\$ 1,136,341
Equipment	30,623	7,942	-	38,565
Total accumulated depreciation	\$ 1,108,014	\$ 66,892	\$ -	\$ 1,174,906
Net capital assets	\$ 1,532,425	\$ (51,392)	\$ -	\$ 1,481,033

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 70,870
Public safety	29,624
Public works	168,301
Parks, recreation and cultural	43,540
Community development	58,000
Total governmental activities	<u>\$ 370,335</u>

Enterprise activities:

Water fund	\$ 359,424
Curtis Merritt Harbor	66,892
Total enterprise activities	<u>\$ 426,316</u>

NOTE 5—LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2014:

	Amounts Payable July 1, 2013	Issuances / Additions	Retirements / Deletions	Amounts Payable June 30, 2014	Due Within One Year
Governmental Obligations					
General Obligation Bonds	\$ 186,447	-	\$ 77,995	\$ 108,452	\$ 80,850
Compensated Absences	147,705	14,884	12,722	149,867	14,987
Total governmental obligations	<u>\$ 334,152</u>	<u>\$ 14,884</u>	<u>\$ 90,717</u>	<u>\$ 258,319</u>	<u>\$ 95,837</u>
Proprietary Funds					
General Obligation Bonds	\$ 1,916,056	-	\$ 292,334	\$ 1,623,722	\$ 303,999
Compensated Absences	20,342	14,154	6,602	27,894	2,789
Total proprietary obligations	<u>\$ 1,936,398</u>	<u>\$ 14,154</u>	<u>\$ 298,936</u>	<u>\$ 1,651,616</u>	<u>\$ 306,788</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Obligations			
	General Obligation Bonds		Enterprise Obligations	
	Principal	Interest	Principal	Interest
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	\$ 108,452	\$ 2,786	\$ 1,623,722	\$ 212,111

Details of Long-term Obligations:

	Total Outstanding	Due Within One Year
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%	\$ 108,452	\$ 80,850
Compensated absences	149,867	14,987
Total governmental long-term obligations	\$ 258,319	\$ 95,837
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 3.54%	\$ 452,409	\$ 109,623
\$1,200,000 issued October 5, 2005 due in monthly installments of \$11,919 through October 1, 2015, interest at 3.60%	77,476	57,758
\$2,000,000 issued June 14, 2006 due in monthly installments of \$15,133 through June 1, 2021, interest at 4.36%	1,093,837	136,618
Total general obligation bonds	\$ 1,623,722	\$ 303,999
Compensated absences	27,894	2,789
Total proprietary long-term obligations	\$ 1,651,616	\$ 306,788

NOTE 6—PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. **Creditable Service (Continued)**

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

13. Eligibility - Same as VRS Plan 1— Refer to Section 14.

14. Exceptions to COLA Effective Dates - Refer to VRS Plan 1—Section 15.

15. Disability Coverage - Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

16. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended 2014 was 12.08% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Town’s annual pension cost of \$224,878 was equal to the Town’s required and actual contributions.

<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, 2012	\$ 155,349	100%	\$ -
June 30, 2013	218,029	100%	-
June 30, 2014	224,878	100%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 75.96% funded. The actuarial accrued liability for benefits was \$5,880,229, and the actuarial value of assets was \$4,466,561, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,413,668. The covered payroll (annual payroll of active employees covered by the plan) was \$1,802,575 and ratio of the UAAL to the covered payroll was 78.42%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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.

NOTE 7—UNEARNED REVENUE / DEFERRED INFLOWS OF RESOURCES:

Unearned revenue / deferred inflows represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue / deferred inflows totaling \$224,650 are comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$44,304 at June 30, 2014.

Deferred Revenue Governmental Funds - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$1,868 at June 30, 2014. PPTRA taxes received prior to June 30 and unearned totaled \$133,623.

Unearned Revenue Proprietary Funds - Harbor rents due subsequent to June 30, 2014 but paid in advance by the customers totaled \$44,855 at June 30, 2014.

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, 2014, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (Continued)

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—COMPENSATED ABSENCES:

In accordance with GASB Statement 16 "*Accounting for Compensated Absences*", the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis not to exceed 240 hours. The Town has outstanding vacation pay totaling \$177,761 at June 30, 2014.

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—OTHER POST-EMPLOYMENT BENEFITS:

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 GASB 45 and believes there is no material effect on the Town's financial position.

NOTE 13—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 112,500	\$ 285,613
Main Street Revitalization Fund	260,417	-
Curtis Merritt Harbor Fund	3,250	-
Broadband Fund	-	112,500
Trolley Fund	21,946	-
	<u>398,113</u>	<u>398,113</u>
Total	\$ <u>398,113</u>	\$ <u>398,113</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgeting authorization.

This page intentionally left blank

Required Supplementary Information

This page intentionally left blank

Schedule of Revenues, Expenditures and Change in Fund Balance -
 Budget and Actual - General Fund
 Year Ended June 30, 2014

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 834,790	\$ 834,790	\$ 873,378	\$ 38,588
Other local taxes	1,891,836	1,891,836	2,196,011	304,175
Permits, privilege fees and regulatory licenses	44,820	44,820	42,016	(2,804)
Fines and forfeitures	45,000	45,000	34,650	(10,350)
Revenue from use of money and property	46,800	46,800	27,903	(18,897)
Charges for services	339,403	339,403	332,020	(7,383)
Miscellaneous	154,399	154,399	169,570	15,171
Intergovernmental:				
Commonwealth	1,080,120	1,080,120	1,109,825	29,705
Federal	13,200	13,200	11,608	(1,592)
Total revenues	\$ 4,450,368	\$ 4,450,368	\$ 4,796,981	\$ 346,613
Expenditures:				
General government administration	\$ 1,552,322	\$ 1,552,322	\$ 1,577,293	\$ (24,971)
Public safety	1,247,520	1,247,520	1,081,265	166,255
Public works	1,496,552	1,496,552	1,545,364	(48,812)
Health	171,958	171,958	106,701	65,257
Parks, recreation and cultural	12,500	12,500	82,181	(69,681)
Debt service:				
Principal retirement	74,815	74,815	77,995	(3,180)
Interest and fiscal charges	8,141	8,141	4,845	3,296
Total expenditures	\$ 4,563,808	\$ 4,563,808	\$ 4,475,644	\$ 88,164
Excess (deficiency) of revenues over expenditures	\$ (113,440)	\$ (113,440)	\$ 321,337	\$ 434,777
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 112,500	\$ 112,500
Transfers (out)	-	-	(285,613)	(285,613)
Total other financing sources (uses)	\$ -	\$ -	\$ (173,113)	\$ (173,113)
Changes in fund balance	\$ (113,440)	\$ (113,440)	\$ 148,224	\$ 261,664
Fund balance at beginning of year	113,440	113,440	2,836,665	2,723,225
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,984,889</u>	<u>\$ 2,984,889</u>

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded 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, 2013	\$ 4,466,561	\$ 5,880,229	\$ 1,413,668	75.96%	\$ 1,802,575	78.42%
June 30, 2012	4,090,273	5,433,602	1,343,329	75.28%	1,677,682	80.07%
June 30, 2011	3,904,335	4,938,761	1,034,426	79.05%	1,573,432	65.74%

Other Supplementary Information

This page intentionally left blank

Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Main Street Revitalization Fund	Trolley Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 52,062	\$ 52,062
Receivables:			
Accounts	-	1,951	1,951
Due from other governments	332,821		332,821
	<u>332,821</u>	<u>54,013</u>	<u>386,834</u>
Total assets	\$ <u>332,821</u>	\$ <u>54,013</u>	\$ <u>386,834</u>
LIABILITIES			
Accounts payable	\$ 35,291	\$ 50	\$ 35,341
Reconciled overdraft	203,452	-	203,452
	<u>238,743</u>	<u>50</u>	<u>238,793</u>
Total liabilities	\$ <u>238,743</u>	\$ <u>50</u>	\$ <u>238,793</u>
FUND BALANCES			
Committed:			
Main Street revitalization	\$ 94,078	\$ -	\$ 94,078
Trolley	-	53,963	53,963
	<u>94,078</u>	<u>53,963</u>	<u>148,041</u>
Total fund balances	\$ <u>94,078</u>	\$ <u>53,963</u>	\$ <u>148,041</u>
Total liabilities and fund balances	\$ <u>332,821</u>	\$ <u>54,013</u>	\$ <u>386,834</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2014

	Main Street Revitalization Fund	Broadband Fund	Trolley Fund	Total
Revenues:				
Revenue from use of money and property	\$ 5,387	\$ -	\$ -	\$ 5,387
Charges for services	-	-	7,608	7,608
Intergovernmental:				
Commonwealth	-	-	14,113	14,113
Federal	537,999	38,933	30,633	607,565
Total revenues	<u>\$ 543,386</u>	<u>\$ 38,933</u>	<u>\$ 52,354</u>	<u>\$ 634,673</u>
Expenditures:				
Current:				
Community development	\$ 713,438	\$ 27,305	\$ 74,266	\$ 815,009
Total expenditures	<u>\$ 713,438</u>	<u>\$ 27,305</u>	<u>\$ 74,266</u>	<u>\$ 815,009</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (170,052)</u>	<u>\$ 11,628</u>	<u>\$ (21,912)</u>	<u>\$ (180,336)</u>
Other financing sources (uses):				
Transfers in	\$ 260,417	\$ -	\$ 21,946	\$ 282,363
Transfers (out)	<u>-</u>	<u>(112,500)</u>	<u>-</u>	<u>(112,500)</u>
Total other financing sources (uses)	<u>\$ 260,417</u>	<u>\$ (112,500)</u>	<u>\$ 21,946</u>	<u>\$ 169,863</u>
Changes in fund balances	\$ 90,365	\$ (100,872)	\$ 34	\$ (10,473)
Fund balances at beginning of year	<u>3,713</u>	<u>100,872</u>	<u>53,929</u>	<u>158,514</u>
Fund balances at end of year	<u><u>\$ 94,078</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,963</u></u>	<u><u>\$ 148,041</u></u>

Supporting Schedules

This page intentionally left blank

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014

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	\$ 611,090	\$ 611,090	\$ 641,039	\$ 29,949
Personal property taxes	188,700	188,700	197,545	8,845
Interest and penalties	35,000	35,000	34,794	(206)
Total general property taxes	<u>\$ 834,790</u>	<u>\$ 834,790</u>	<u>\$ 873,378</u>	<u>\$ 38,588</u>
Other local taxes:				
Local sales and use taxes	\$ 110,000	\$ 110,000	\$ 130,245	\$ 20,245
Consumers' utility taxes	140,000	140,000	194,718	54,718
Business license taxes	125,000	125,000	127,978	2,978
Motor vehicle licenses	80,000	80,000	72,405	(7,595)
Bank franchise tax	42,000	42,000	45,877	3,877
Transient occupancy tax	745,936	745,936	944,531	198,595
Meals taxes	648,900	648,900	680,257	31,357
Total other local taxes	<u>\$ 1,891,836</u>	<u>\$ 1,891,836</u>	<u>\$ 2,196,011</u>	<u>\$ 304,175</u>
Permits, privilege fees and regulatory licenses:				
Road permit fees	\$ 400	\$ 400	-	(400)
Zoning advertisements	2,000	2,000	1,350	(650)
Permits and other licenses	42,420	42,420	40,666	(1,754)
Total permits, privilege fees and regulatory licenses	<u>\$ 44,820</u>	<u>\$ 44,820</u>	<u>\$ 42,016</u>	<u>\$ (2,804)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 34,650	\$ (10,350)
Total fines and forfeitures	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 34,650</u>	<u>\$ (10,350)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 11,103	\$ (18,897)
Revenue from use of property	16,800	16,800	16,800	-
Total revenue from use of money and property	<u>\$ 46,800</u>	<u>\$ 46,800</u>	<u>\$ 27,903</u>	<u>\$ (18,897)</u>
Charges for services:				
Sidewalk assessments	\$ 10,000	\$ 10,000	\$ 5,720	\$ (4,280)
911 dispatch for Assateague	29,000	29,000	23,837	(5,163)
Solid waste collection fees	293,403	293,403	295,463	2,060
Harbor administration	7,000	7,000	7,000	-
Total charges for services	<u>\$ 339,403</u>	<u>\$ 339,403</u>	<u>\$ 332,020</u>	<u>\$ (7,383)</u>

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from local sources (continued):				
Miscellaneous revenue:				
Sale of capital assets	\$ 500	\$ 500	\$ 5,096	\$ 4,596
Police donations	21,000	21,000	44,454	23,454
Cemetery cleanup donation	1,000	1,000	2,020	1,020
Hospitalization	7,500	7,500	1,001	(6,499)
Playground equipment donations	-	-	5,131	5,131
User fees	25,000	25,000	24,340	(660)
Recovered costs from water fund	78,399	78,399	80,751	2,352
Banner donations	6,000	6,000	1,500	(4,500)
Miscellaneous	15,000	15,000	5,277	(9,723)
Total miscellaneous revenue	<u>\$ 154,399</u>	<u>\$ 154,399</u>	<u>\$ 169,570</u>	<u>\$ 15,171</u>
Total revenue from local sources	<u>\$ 3,357,048</u>	<u>\$ 3,357,048</u>	<u>\$ 3,675,548</u>	<u>\$ 318,500</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home sales tax	\$ 7,482	\$ 7,482	\$ 22,661	\$ 15,179
Personal property tax reimbursement	150,250	150,250	136,736	(13,514)
Wireless 911 communication tax	30,345	30,345	15,830	(14,515)
Rolling stock tax	-	-	40	40
Communication taxes	212,855	212,855	150,550	(62,305)
Total noncategorical aid	<u>\$ 400,932</u>	<u>\$ 400,932</u>	<u>\$ 325,817</u>	<u>\$ (75,115)</u>
Categorical aid:				
Law enforcement grants	\$ 97,587	\$ 97,587	\$ 105,148	\$ 7,561
Fire department grant	11,910	11,910	10,000	(1,910)
Street and highway maintenance	557,906	557,906	599,305	41,399
Payment in lieu of taxes	4,200	4,200	6,404	2,204
Litter control	2,585	2,585	2,564	(21)
SRTS grant	-	-	26,394	26,394
Emergency services grant	-	-	29,193	29,193
VA commission for the arts grant	5,000	5,000	5,000	-
Total categorical aid	<u>\$ 679,188</u>	<u>\$ 679,188</u>	<u>\$ 784,008</u>	<u>\$ 104,820</u>
Total revenue from the Commonwealth	<u>\$ 1,080,120</u>	<u>\$ 1,080,120</u>	<u>\$ 1,109,825</u>	<u>\$ 29,705</u>
Revenue from the Federal Government:				
Payment in lieu of taxes	\$ 4,200	\$ 4,200	\$ -	\$ (4,200)
Categorical aid:				
Police grants	\$ 9,000	\$ 9,000	\$ 6,067	\$ (2,933)
Emergency services grant	-	-	5,541	5,541
Total categorical aid	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 11,608</u>	<u>\$ 2,608</u>
Total revenue from the federal government	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 11,608</u>	<u>\$ (1,592)</u>
Total General Fund	<u><u>\$ 4,450,368</u></u>	<u><u>\$ 4,450,368</u></u>	<u><u>\$ 4,796,981</u></u>	<u><u>\$ 346,613</u></u>

GOVERNMENTAL FUNDS

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (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	\$ 3,000	\$ 3,000	\$ 5,387	\$ 2,387
Revenue from the Federal Government:				
Categorical aid:				
TEA 21 grant	\$ 565,646	\$ 565,646	\$ 519,999	\$ (45,647)
DCR outdoors fund grant	-	-	18,000	18,000
Total revenue from the federal government	\$ 565,646	\$ 565,646	\$ 537,999	\$ (27,647)
Total Main Street Revitalization Fund	\$ 568,646	\$ 568,646	\$ 543,386	\$ (25,260)
Broadband Fund:				
Revenue from the Federal Government:				
Categorical aid:				
Broadband project grant	\$ -	\$ -	\$ 38,933	\$ 38,933
Total Broadband Fund	\$ -	\$ -	\$ 38,933	\$ 38,933
Trolley Fund:				
Revenue from local sources:				
Charges for services:				
Charges for transportation	\$ 7,000	\$ 7,000	\$ 7,608	\$ 608
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Trolley demo grant	-	-	14,113	14,113
Revenue from the Federal Government:				
Categorical aid:				
Trolley demo grant	45,200	45,200	30,633	(14,567)
Total Trolley Fund	\$ 52,200	\$ 52,200	\$ 52,354	\$ 154
Total Special Revenue Funds	\$ 620,846	\$ 620,846	\$ 634,673	\$ 13,827
Grand total revenues	\$ 5,071,214	\$ 5,071,214	\$ 5,431,654	\$ 360,440

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014

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	\$ 418,000	\$ 418,000	\$ 432,951	\$ (14,951)
Emergency medical technicians	256,000	256,000	274,742	(18,742)
Overtime	30,000	30,000	33,686	(3,686)
Social security	51,000	51,000	55,218	(4,218)
Hospitalization	60,764	60,764	69,384	(8,620)
Blood bank	100	100	-	100
Unemployment	5,000	5,000	7,097	(2,097)
Retirement	80,000	80,000	81,879	(1,879)
VRS life insurance	3,500	3,500	3,237	263
Line of duty trust	18,076	18,076	-	18,076
Bank charges	3,000	3,000	4,195	(1,195)
Building administration expenses	100	100	-	100
Cleaning	13,325	13,325	14,388	(1,063)
Planning commission	40	40	-	40
Board of zoning appeals	40	40	42	(2)
Building permit surcharge	1,025	1,025	1,096	(71)
Board of building code appeal	25	25	-	25
Emergency medical clothing	2,200	2,200	1,800	400
EMS cell allowance	1,500	1,500	1,500	-
Insurance	96,000	96,000	101,486	(5,486)
Auditing	22,550	22,550	23,000	(450)
Donations	26,741	26,741	32,833	(6,092)
Transfer to civic center	104,431	104,431	128,425	(23,994)
Tourism - 10% meals tax	64,890	64,890	67,502	(2,612)
ANPDC membership	7,000	7,000	7,000	-
Scholarship	1,000	1,000	1,000	-
Office supplies and publications	10,250	10,250	11,628	(1,378)
Office equipment and software maintenance	21,000	21,000	29,735	(8,735)
Postage	10,763	10,763	10,283	480
Tax bills and conversion	1,750	1,750	1,500	250
Motor vehicle license	2,100	2,100	1,826	274
Travel and training	3,588	3,588	4,690	(1,102)
Mayor expense	300	300	228	72
Council's expense	500	500	1,623	(1,123)
Town manager's expense	250	250	156	94
Attorney/consultant	50,600	50,600	6,965	43,635
Drug and alcohol testing	2,000	2,000	847	1,153
Christmas dinner	2,200	2,200	2,215	(15)
Dues	4,400	4,400	4,059	341
VML conference	1,000	1,000	-	1,000
Advertising and website	12,000	12,000	7,711	4,289
Building maintenance	6,000	6,000	5,418	582
Electricity	14,863	14,863	7,920	6,943
Heating oil and gas	4,000	4,000	5,264	(1,264)
Virginia Fire Program / CVFC	11,910	11,910	10,000	1,910

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
General and financial administration: (Continued)				
EOC operations and training	\$ 1,500	\$ 1,500	\$ 2,194	\$ (694)
Special projects	7,000	7,000	7,093	(93)
Pony penning	6,000	6,000	5,471	529
Deer de-pop program	1,000	1,000	420	580
Telephone bills	20,000	20,000	29,450	(9,450)
Optimum choice - retirees	20,000	20,000	25,675	(5,675)
Insurance - retired spouses and others	7,500	7,500	-	7,500
Transfer to medicare	10,000	10,000	5,376	4,624
Miscellaneous	5,000	5,000	3,556	1,444
Cemetery cleanup donation	1,500	1,500	250	1,250
VOLSAP for volunteer firefighters	2,640	2,640	2,790	(150)
VA commission for the arts	10,000	10,000	9,992	8
Office equipment	3,000	3,000	2,213	787
Software	3,561	3,561	444	3,117
Total general and financial administration	\$ 1,524,482	\$ 1,524,482	\$ 1,549,453	\$ (24,971)
Total general government administration	\$ 1,552,322	\$ 1,552,322	\$ 1,577,293	\$ (24,971)
Public safety:				
Law enforcement and traffic control:				
Salaries for officers	\$ 493,000	\$ 493,000	\$ 466,486	\$ 26,514
Overtime	8,500	8,500	5,331	3,169
Social security	38,300	38,300	35,094	3,206
Hospitalization	36,000	36,000	45,532	(9,532)
Retirement	56,900	56,900	52,816	4,084
VRS life insurance	2,490	2,490	2,098	392
Gasoline	22,000	22,000	22,870	(870)
Travel and training	7,500	7,500	5,183	2,317
Uniform allowance (Officer's)	6,000	6,000	3,843	2,157
Uniforms (Town)	2,000	2,000	688	1,312
Office supplies & equipment maintenance	7,000	7,000	3,357	3,643
Equipment repairs & supplies	3,500	3,500	4,051	(551)
Vehicle maintenance	5,000	5,000	2,094	2,906
Drug enforcement	5,000	5,000	1,500	3,500
Academy dues	3,800	3,800	3,826	(26)
Bicycle patrol	300	300	-	300
Community / youth programs	20,000	20,000	51,850	(31,850)
Grant funded expenditures	5,000	5,000	3,056	1,944
Ammunition	2,500	2,500	-	2,500
Cell phone allowance	3,600	3,600	2,975	625
Sundry	500	500	1,149	(649)
SRTS program projects	205,840	205,840	33,647	172,193
Patrol vehicle	28,500	28,500	28,351	149
Total law enforcement and traffic control	\$ 963,230	\$ 963,230	\$ 775,797	\$ 187,433

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (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)				
Police 911 Dispatch:				
Salaries for officers	\$ 201,000	\$ 201,000	\$ 167,623	\$ 33,377
Overtime	2,500	2,500	591	1,909
Social security	14,500	14,500	12,589	1,911
Hospitalization	18,000	18,000	14,211	3,789
Retirement	13,500	13,500	13,993	(493)
VRS life insurance	590	590	556	34
Travel and training	2,000	2,000	533	1,467
Uniform allowance	1,400	1,400	1,836	(436)
Uniform (Town for dispatch)	500	500	218	282
Office supplies / equipment maintenance	24,000	24,000	24,047	(47)
E-911 line fees	5,600	5,600	1,981	3,619
Sundry	100	100	105	(5)
911 addressing	600	600	336	264
Radio equipment	-	-	5,125	(5,125)
911 equipment replacement / reserve	-	-	61,724	(61,724)
Total police 911 dispatch	\$ 284,290	\$ 284,290	\$ 305,468	\$ (21,178)
Total public safety	\$ 1,247,520	\$ 1,247,520	\$ 1,081,265	\$ 166,255
Public works:				
Administrative:				
Salaries	\$ 105,223	\$ 105,223	\$ 103,284	\$ 1,939
Overtime	525	525	50	475
Social security	9,329	9,329	7,423	1,906
Hospitalization	18,000	18,000	10,142	7,858
Retirement	14,730	14,730	12,368	2,362
VRS life insurance	646	646	491	155
Office supplies	500	500	528	(28)
Street maintenance	1,050	1,050	2,000	(950)
Street signs/911	3,000	3,000	149	2,851
Street lights	22,000	22,000	19,602	2,398
Gasoline and diesel	30,252	30,252	45,407	(15,155)
Oil / grease	2,625	2,625	1,733	892
Tools / shop	2,625	2,625	1,811	814
Travel and training	1,250	1,250	382	868
Clothing and uniforms	4,100	4,100	4,809	(709)
Building maintenance	1,550	1,550	3,046	(1,496)
Equipment repairs	12,800	12,800	16,485	(3,685)
Safety	1,250	1,250	-	1,250
Vehicle maintenance	1,300	1,300	497	803
Tires	2,100	2,100	1,715	385
Garage supplies	2,500	2,500	3,193	(693)
Vehicle repairs	8,200	8,200	6,159	2,041
Electricity	7,380	7,380	5,493	1,887
LP gas	2,000	2,000	2,883	(883)
Tipping fees	1,200	1,200	-	1,200
Sanitation service contracts	394,294	394,294	352,744	41,550
Miscellaneous	1,500	1,500	14,849	(13,349)
Fuel system	-	-	12,735	(12,735)
Total public works administrative	\$ 651,929	\$ 651,929	\$ 629,978	\$ 21,951

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (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)				
Facilities department:				
Salaries	\$ 150,000	\$ 150,000	\$ 200,678	\$ (50,678)
Overtime	1,050	1,050	3,041	(1,991)
Social security	11,476	11,476	14,263	(2,787)
Hospitalization	39,000	39,000	33,192	5,808
Retirement	18,121	18,121	24,481	(6,360)
VRS life insurance	795	795	973	(178)
Seasonal décor & banners	8,000	8,000	1,049	6,951
Tools	800	800	676	124
Uniforms	3,075	3,075	279	2,796
Comfort station	10,500	10,500	4,198	6,302
Electricity	3,700	3,700	3,714	(14)
Sundry	200	200	300	(100)
Vandalism	2,000	2,000	3,475	(1,475)
Boat ramp repairs	22,000	22,000	21,592	408
Donald J. Leonard park	500	500	-	500
Island nature trail	500	500	1,047	(547)
Old elementary school gym	5,000	5,000	5,174	(174)
Ocean Boulevard trail	10,000	10,000	-	10,000
Total facilities department	<u>\$ 286,717</u>	<u>\$ 286,717</u>	<u>\$ 318,132</u>	<u>\$ (31,415)</u>
Roads department:				
Salaries	\$ 108,030	\$ 108,030	\$ 87,852	\$ 20,178
Overtime	2,000	2,000	2,606	(606)
Social security	8,264	8,264	6,480	1,784
Hospitalization	11,340	11,340	13,261	(1,921)
Retirement	13,050	13,050	10,447	2,603
VRS life insurance	573	573	415	158
Snow removal	1,000	1,000	-	1,000
Maintenance coating and replacement	234,149	234,149	293,039	(58,890)
Sidewalks and gutters	40,000	40,000	109,200	(69,200)
Signs and traffic control	-	-	2,822	(2,822)
Roadside structures	3,000	3,000	554	2,446
Drainage maintenance	50,000	50,000	10,525	39,475
Traffic control operations	21,500	21,500	-	21,500
Traffic control devices	-	-	638	(638)
Engineering	5,000	5,000	-	5,000
Electricity	60,000	60,000	59,415	585
Total roads department	<u>\$ 557,906</u>	<u>\$ 557,906</u>	<u>\$ 597,254</u>	<u>\$ (39,348)</u>
Total public works	<u>\$ 1,496,552</u>	<u>\$ 1,496,552</u>	<u>\$ 1,545,364</u>	<u>\$ (48,812)</u>

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health:				
Mosquito control:				
Salaries	\$ 33,829	\$ 33,829	\$ 39,182	\$ (5,353)
Overtime	10,000	10,000	113	9,887
Social security	3,429	3,429	3,006	423
Insurance	8,100	8,100	-	8,100
Office supplies	200	200	-	200
Chemicals	45,500	45,500	44,428	1,072
Gasoline	4,200	4,200	4,240	(40)
Tools and small equipment	1,000	1,000	133	867
Uniforms	750	750	13	737
Contract spraying	23,700	23,700	16,000	7,700
Travel	300	300	127	173
Equipment repairs and maintenance	1,800	1,800	3,601	(1,801)
Safety equipment	400	400	-	400
Vehicle maintenance	1,250	1,250	342	908
Sundry	200	200	-	200
Drainage projects	37,300	37,300	(4,484)	41,784
Total health	\$ 171,958	\$ 171,958	\$ 106,701	\$ 65,257
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation expenses	\$ 12,500	\$ 12,500	\$ 82,181	\$ (69,681)
Total parks and recreation	\$ 12,500	\$ 12,500	\$ 82,181	\$ (69,681)
Debt service:				
Principal retirement	\$ 74,815	\$ 74,815	\$ 77,995	\$ (3,180)
Interest and fiscal charges	8,141	8,141	4,845	3,296
Total debt service	\$ 82,956	\$ 82,956	\$ 82,840	\$ 116
Total General Fund	\$ 4,563,808	\$ 4,563,808	\$ 4,475,644	\$ 88,164

GOVERNMENTAL FUNDS

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (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:				
Community Development:				
Main street project	\$ 567,946	\$ 567,946	\$ 713,438	\$ (145,492)
Total Main Street Revitalization Fund	\$ 567,946	\$ 567,946	\$ 713,438	\$ (145,492)
Broadband Fund:				
Community Development:				
Administration	\$ -	\$ -	\$ 17,360	\$ (17,360)
Broadband capital improvements	-	-	9,945	(9,945)
Total Broadband Fund	\$ -	\$ -	\$ 27,305	\$ (27,305)
Trolley Fund:				
Community Development:				
Salaries	\$ 32,500	\$ 32,500	\$ 34,403	\$ (1,903)
Social security	2,450	2,450	2,626	(176)
Insurance	4,000	4,000	2,650	1,350
Advertising	800	800	712	88
Printing and reproduction	2,500	2,500	2,049	451
Fuel	9,400	9,400	6,988	2,412
Communication services	750	750	961	(211)
Cleaning supplies	250	250	-	250
Equipment repairs and maintenance	6,000	6,000	7,635	(1,635)
Supplies and materials	325	325	95	230
Tires and tubes	600	600	-	600
Parts	750	750	-	750
Drug and alcohol testing	800	800	1,271	(471)
RTAP expenses	-	-	1,859	(1,859)
Education and training	650	650	360	290
Rent expense	12,000	12,000	12,000	-
Membership dues	125	125	-	125
Travel	1,000	1,000	657	343
Uniforms	500	500	-	500
Total Trolley Fund	\$ 75,400	\$ 75,400	\$ 74,266	\$ 1,134
Total Special Revenue Funds	\$ 643,346	\$ 643,346	\$ 815,009	\$ (171,663)
Grand total expenditures	\$ 5,207,154	\$ 5,207,154	\$ 5,290,653	\$ (83,499)

This page intentionally left blank

Statistical Tables

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Health	Parks Recreation and Cultural
2004-05	\$ 891,842	\$ 616,768	\$ 1,700,831	\$ 122,768	\$ 24,663
2005-06	984,621	680,241	1,890,432	126,078	45,007
2006-07	1,161,441	720,011	1,503,341	107,843	5,963
2007-08	1,360,353	781,964	1,546,918	112,237	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
2010-11	1,582,736	928,863	1,596,514	146,180	15,505
2011-12	1,663,084	958,912	1,630,515	145,625	9,993
2012-13	1,673,643	987,468	1,815,298	150,080	62,239
2013-14	1,647,063	1,090,139	987,050	106,701	125,722

Table 1

	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Water</u>	<u>Curtis Merritt Harbor</u>	<u>Total</u>
\$	549,501	\$ 46,889	\$ -	\$ 82,147	\$ 4,035,409
	177,959	80,252	-	63,561	4,048,151
	174,856	25,831	679,255	109,186	4,487,727
	177,831	21,788	903,796	115,181	5,026,589
	261,057	17,792	920,746	125,690	5,046,618
	166,394	15,407	831,762	103,415	5,088,428
	175,439	12,935	890,892	192,783	5,541,847
	132,290	10,372	926,729	322,961	5,800,481
	200,658	7,715	990,233	271,160	6,158,494
	873,009	4,845	1,045,620	257,963	6,138,112

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Revenues
 Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2004-05	\$ 834,265	\$ 1,126,650	\$ 1,235,200
2005-06	931,308	805,298	187,601
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
2010-11	1,566,190	754,453	108,807
2011-12	1,737,058	1,107,159	1,037,025
2012-13	1,801,085	888,124	180,369
2013-14	1,714,263	879,295	537,999

Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs	Revenues from the Use of Money and Property	Miscellaneous	Total
\$ 822,466	\$ 1,436,473	\$ 144,064	\$ 82,836	\$ 136,031	\$ 5,817,985
808,752	1,515,488	135,088	152,672	157,520	4,693,727
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	406,048	5,297,269
841,694	1,848,432	342,506	37,357	180,719	5,680,158
853,748	1,915,645	342,475	30,510	195,536	7,219,156
847,876	2,046,326	318,578	31,329	156,868	6,270,555
872,343	2,196,011	325,817	35,745	169,570	6,731,043

TOWN OF CHINCOTEAGUE, VIRGINIA

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenues from the Use of Money and Property
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
2010-11	845,593	1,848,432	39,220	34,910	37,027
2011-12	854,935	1,915,645	46,082	30,043	30,201
2012-13	857,496	2,046,326	56,094	32,619	30,756
2013-14	873,378	2,196,011	42,016	34,650	33,290

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

Table 3

	Charges for Services	Miscellaneous	Inter- governmental	Total
\$	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	406,048	944,696	4,099,667
	292,385	180,719	1,158,789	4,437,075
	330,607	195,536	2,180,630	5,583,679
	378,144	156,868	1,321,071	4,879,374
	339,628	169,570	1,743,111	5,431,654

TOWN OF CHINCOTEAGUE, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health</u>	<u>Parks Recreation and Cultural</u>
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
2010-11	1,821,680	950,936	1,524,124	146,180	15,505
2011-12	1,570,074	973,173	1,620,738	145,625	28,546
2012-13	1,568,076	963,688	1,768,671	150,080	18,699
2013-14	1,577,293	1,081,265	1,545,364	106,701	82,181

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

Table 4

<u>Community Development</u>	<u>Capital Outlays and Non- Departmental</u>	<u>Debt Service</u>	<u>Total</u>
\$ 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
144,844	-	82,957	4,686,226
1,116,720	-	82,957	5,537,833
286,563	-	82,956	4,838,733
815,009	-	82,840	5,290,653

Schedule of Legal Debt Margin
Year Ended June 30, 2014

Assessed value of real estate subject to taxation	\$	<u>922,922,700</u>
Legal Debt Limit		
10% of Assessed Value of Taxable Real Estate:		
\$922,922,700	\$	92,292,270
Deduct:		
Bonds Payable		<u>1,732,174</u>
Legal Margin for Creation of Additional Debt	\$	<u><u>90,560,096</u></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
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%
2010-11	964,367	921,805	95.59%	23,390	945,195	98.01%	59,853	6.21%
2011-12	968,397	942,339	97.31%	33,299	975,638	100.75%	55,447	5.73%
2012-13	968,566	914,758	94.44%	28,501	943,259	97.39%	47,614	4.92%
2013-14	979,583	935,795	95.53%	39,525	975,320	99.56%	47,520	4.85%

(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
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
2010-11	1,069,652,500	36,569,658	12,337,756	7,206,975	1,125,766,889
2011-12	1,069,752,400	38,027,344	12,375,107	6,071,684	1,126,226,535
2012-13	919,397,200	36,769,161	12,276,164	5,500,129	973,942,654
2013-14	922,922,700	37,800,840	12,080,080	5,381,671	978,185,291

(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
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
2010-11	0.06	0.85	0.06	0.06	0.85
2011-12	0.06	0.85	0.06	0.06	0.85
2012-13	0.07	0.85	0.07	0.07	0.85
2013-14	0.07	0.85	0.07	0.07	0.85

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
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
2010-11	2,941	1,125,766,889	2,801,793	2,801,793	0.25%	953
2011-12	2,941	1,126,226,535	2,458,865	2,458,865	0.22%	836
2012-13	2,941	973,942,654	2,102,503	2,102,503	0.22%	715
2013-14	2,941	978,185,291	1,732,174	1,732,174	0.18%	589

(1) Weldon Cooper Center for Public Service

(2) From Table 7.

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

Excludes revenue bonds, capital leases, and compensated absences.

Compliance

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Chincoteague, Virginia's basic financial statements, and have issued our report dated September 26, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
September 26, 2014

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Town of Chincoteague, Virginia's compliance with the types of compliance requirements described *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Chincoteague, Virginia's major federal programs for the year ended June 30, 2014. Town of Chincoteague, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Chincoteague, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Chincoteague, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Chincoteague, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Chincoteague, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Town of Chincoteague, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Chincoteague, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Chincoteague, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
September 26, 2014

Town of Chincoteague

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development: Pass-through payments:			
Department of Housing and Community Development: Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	53505-49380	\$ <u>38,933</u>
Department of Transportation: Pass-through payments:			
Virginia Department of Rail and Public Transportation: Formula Grants for Rural Areas	20.509	N/A	\$ 30,633
Department of Motor Vehicles: Highway Planning and Construction	20.205	UPC 97198	519,999
Alcohol Open Container Requirements	20.607	60507-50320	6,067
Total Department of Transportation			\$ <u>556,699</u>
Department of Homeland Security: Pass-through payments:			
Department of Emergency Services: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	\$ <u>5,541</u>
Department of Interior: Direct payments:			
Outdoor Recreation Acquisition, Development and Planning	15.916	N/A	\$ <u>18,000</u>
 Total Expenditures of Federal Awards			 \$ <u><u>619,173</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Town of Chincoteague

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Town of Chincoteague, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a select portion of the operations of Town of Chincoteague, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Chincoteague, Virginia.

Note 2 - Summary of Significant Accounting Policies:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Town of Chincoteague

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	None reported

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Schedule of Prior Year Findings and Questioned Costs

There are no prior year audit findings.

This page intentionally left blank