



Financial Report

YEAR ENDED JUNE 30, 2019

TOWN OF CHINCOTEAGUE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

TOWN OF CHINCOTEAGUE, VIRGINIA

- TOWN COUNCIL -

J. Arthur Leonard, Mayor

Ben G. Ellis, Jr.
Matthew T. Reed
Denise P. Bowden

Ellen W. Richardson
Gene Wayne Taylor
Edward W. Lewis

- OTHER TOWN OFFICIALS -

Town Manager..... James M. West
Director of Public Works Harvey Spurlock
Chief of Police James R. Mills
Town Attorney William W. Fox, II

TOWN OF CHINCOTEAGUE, VIRGINIA

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chincoteague, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-8, 52 and 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

The statistical 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 January 29, 2020, on our consideration of Town of Chincoteague, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Chincoteague, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chincoteague, Virginia's internal control over financial reporting and compliance.

Holmes, Farnell, Cox Associates

Charlottesville, Virginia
January 29, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Chincoteague, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,534,079 (net position). Of this amount \$6,033,978 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's governmental funds reported combined ending fund balances of \$5,558,814, an increase of \$455,877 in comparison with the prior year. Approximately sixty-five percent of this total amount, \$3,590,802 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$188,812 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,534,079 at the close of the most recent fiscal year.

Town of Chincoteague, Virginia's Net Position June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 5,698,300	\$ 5,317,750	\$ 1,444,200	\$ 1,091,339	\$ 7,142,500	\$ 6,409,089
Capital assets	<u>7,492,803</u>	<u>7,090,428</u>	<u>6,227,915</u>	<u>6,515,509</u>	<u>13,720,718</u>	<u>13,605,937</u>
Total assets	<u>\$ 13,191,103</u>	<u>\$ 12,408,178</u>	<u>\$ 7,672,115</u>	<u>\$ 7,606,848</u>	<u>\$ 20,863,218</u>	<u>\$ 20,015,026</u>
Deferred outflows of resources	\$ 210,884	\$ 235,260	\$ 38,368	\$ 45,687	\$ 249,252	\$ 280,947
Total assets and deferred outflows of resources	<u>\$ 13,401,987</u>	<u>\$ 12,643,438</u>	<u>\$ 7,710,483</u>	<u>\$ 7,652,535</u>	<u>\$ 21,112,470</u>	<u>\$ 20,295,973</u>
Current liabilities	\$ 131,519	\$ 177,752	\$ 383,693	\$ 288,554	\$ 515,212	\$ 466,306
Long-term liabilities outstanding	<u>613,502</u>	<u>856,943</u>	<u>1,052,062</u>	<u>1,320,973</u>	<u>1,665,564</u>	<u>2,177,916</u>
Total liabilities	<u>\$ 745,021</u>	<u>\$ 1,034,695</u>	<u>\$ 1,435,755</u>	<u>\$ 1,609,527</u>	<u>\$ 2,180,776</u>	<u>\$ 2,644,222</u>
Deferred inflows of resources	\$ 351,908	\$ 307,648	\$ 45,707	\$ 42,530	\$ 397,615	\$ 350,178
Net investment in capital assets	\$ 7,492,803	\$ 7,090,428	\$ 5,007,298	\$ 5,106,080	\$ 12,500,101	\$ 12,196,508
Unrestricted	<u>4,812,255</u>	<u>4,210,667</u>	<u>1,221,723</u>	<u>894,398</u>	<u>6,033,978</u>	<u>5,105,065</u>
Total net position	<u>\$ 12,305,058</u>	<u>\$ 11,301,095</u>	<u>\$ 6,229,021</u>	<u>\$ 6,000,478</u>	<u>\$ 18,534,079</u>	<u>\$ 17,301,573</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 13,401,987</u>	<u>\$ 12,643,438</u>	<u>\$ 7,710,483</u>	<u>\$ 7,652,535</u>	<u>\$ 21,112,470</u>	<u>\$ 20,295,973</u>

A large part of the Town's net position, \$12,500,101 (67%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased the Town's net position by \$1,003,963 while business-type activities increased net position by \$228,543. Key elements of these changes are as follows:

**Town of Chincoteague, Virginia's Changes in Net Position
For the Years Ended June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 492,103	\$ 620,037	\$ 1,502,812	\$ 1,401,385	\$ 1,994,915	\$ 2,021,422
Operating grants and contributions	888,715	898,987	-	-	888,715	898,987
Capital grants and contributions	941,903	48,131	93,750	-	1,035,653	48,131
General revenues:						
General property taxes	865,887	875,086	-	-	865,887	875,086
Other local taxes	2,998,922	2,856,532	-	-	2,998,922	2,856,532
Grants and contributions not restricted to specific programs	268,442	271,404	-	-	268,442	271,404
Other general revenues	349,800	320,364	18,286	8,072	368,086	328,436
Total revenues	\$ 6,805,772	\$ 5,890,541	\$ 1,614,848	\$ 1,409,457	\$ 8,420,620	\$ 7,299,998
Expenses:						
General government administration	\$ 1,278,819	\$ 1,955,116	\$ -	\$ -	\$ 1,278,819	\$ 1,955,116
Public safety	1,727,219	1,036,369	-	-	1,727,219	1,036,369
Public works	1,899,527	1,726,589	-	-	1,899,527	1,726,589
Health	146,469	165,676	-	-	146,469	165,676
Parks, recreation, and cultural	80,085	48,941	-	-	80,085	48,941
Community development	558,190	138,091	-	-	558,190	138,091
Water	-	-	964,936	1,030,609	964,936	1,030,609
Curtis Merritt Harbor	-	-	532,869	392,787	532,869	392,787
Total expenses	\$ 5,690,309	\$ 5,070,782	\$ 1,497,805	\$ 1,423,396	\$ 7,188,114	\$ 6,494,178
Increase in net position before transfers	\$ 1,115,463	\$ 819,759	\$ 117,043	\$ (13,939)	\$ 1,232,506	\$ 805,820
Transfers	(111,500)	(29,664)	111,500	29,664	-	-
Increase (decrease) in net position	\$ 1,003,963	\$ 790,095	\$ 228,543	\$ 15,725	\$ 1,232,506	\$ 805,820
Net position, July 1	11,301,095	10,511,000	6,000,478	5,984,753	17,301,573	16,495,753
Net position, June 30	\$ 12,305,058	\$ 11,301,095	\$ 6,229,021	\$ 6,000,478	\$ 18,534,079	\$ 17,301,573

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 \$5,558,814 an increase of \$455,877 in comparison with the prior year. A large part of this total amount, \$3,590,802 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance was \$3,590,802 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$6,491,012 in revenues during the year, which was \$605,243 more than budgeted (reference Exhibit 10). The Town's General Fund expended \$5,772,667 during the year, which was \$131,468 less than budgeted (reference Exhibit 10).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities as of June 30, 2019 totals \$7,492,803 (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 \$7,090,428 results in an increase of \$402,375. This increase is due primarily to current year additions. The Water Fund and Curtis Merritt Harbor Fund's capital assets increased from \$5,237,201 to \$6,227,915.

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 \$188,812 as it issued and repaid principal on general obligation debt in the Water Fund. 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. The Town's governmental activities have VRS pension and GLI OPEB liabilities outstanding of \$469,161 while the business-type activities have a balance outstanding of \$64,192.

Additional information on the Town's long-term obligations can be found in the notes to financial statements.

Contact the Town's Financial Management

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Convention Center
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,258,614	\$ 1,240,597	\$ 6,499,211	\$ 59,391
Receivables (net of allowance for uncollectibles):				
Property taxes	30,301	-	30,301	-
Accounts receivable	362,442	166,162	528,604	14,090
Prepaid items	31,007	-	31,007	7,468
Internal balances	(21,050)	21,050	-	-
Due from other governments	36,986	-	36,986	-
Inventory	-	16,391	16,391	-
Total Current Assets	\$ 5,698,300	\$ 1,444,200	\$ 7,142,500	\$ 80,949
Noncurrent Assets				
Capital assets (net of accumulated depreciation):				
Land	\$ 2,544,117	\$ 302,426	\$ 2,846,543	\$ -
Construction in progress	627,940	-	627,940	-
Land improvements	122,383	-	122,383	4,397
Dock and improvements	-	1,224,997	1,224,997	-
Buildings and improvements	421,561	-	421,561	530,501
Infrastructure	2,982,093	3,432,556	6,414,649	-
Equipment	794,709	1,267,936	2,062,645	9,733
Total Capital Assets	\$ 7,492,803	\$ 6,227,915	\$ 13,720,718	\$ 544,631
Total Assets	\$ 13,191,103	\$ 7,672,115	\$ 20,863,218	\$ 625,580
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 191,354	\$ 35,787	\$ 227,141	\$ -
OPEB related items	19,530	2,581	22,111	-
Total Deferred Outflows of Resources	\$ 210,884	\$ 38,368	\$ 249,252	\$ -
Total Assets and Deferred Outflows of Resources	\$ 13,401,987	\$ 7,710,483	\$ 21,112,470	\$ 625,580
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 88,609	\$ 35,584	\$ 124,193	\$ 5,165
Accrued payroll and related liabilities	26,872	-	26,872	2,269
Security deposits	-	-	-	250
Unearned revenue	-	90,981	90,981	24,150
Current portion of long-term obligations	16,038	257,128	273,166	-
Total Current Liabilities	\$ 131,519	\$ 383,693	\$ 515,212	\$ 31,834
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	\$ 613,502	\$ 1,052,062	\$ 1,665,564	\$ -
Total Liabilities	\$ 745,021	\$ 1,435,755	\$ 2,180,776	\$ 31,834
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 4,277	\$ -	\$ 4,277	\$ -
Pension related items	334,243	44,095	378,338	-
OPEB related items	13,388	1,612	15,000	-
Total Deferred Inflows of Resources	\$ 351,908	\$ 45,707	\$ 397,615	\$ -
NET POSITION				
Net investment in capital assets	\$ 7,492,803	\$ 5,007,298	\$ 12,500,101	\$ 544,631
Unrestricted	4,812,255	1,221,723	6,033,978	49,115
Total Net Position	\$ 12,305,058	\$ 6,229,021	\$ 18,534,079	\$ 593,746
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 13,401,987	\$ 7,710,483	\$ 21,112,470	\$ 625,580

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

TOWN OF CHINCOTEAGUE, VIRGINIA

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,977,134	\$ 46,156	\$ -	\$ -
Public safety	1,028,904	53,009	133,765	-
Public works	1,899,527	386,302	697,647	941,903
Health	146,469	-	-	-
Parks, recreation, and cultural	80,085	-	-	-
Community development	558,190	6,636	57,303	-
Total governmental activities	<u>\$ 5,690,309</u>	<u>\$ 492,103</u>	<u>\$ 888,715</u>	<u>\$ 941,903</u>
Business-type activities:				
Water	\$ 964,936	\$ 1,036,166	\$ -	\$ -
Curtis Merritt Harbor	532,869	466,646	-	93,750
Total business-type activities	<u>\$ 1,497,805</u>	<u>\$ 1,502,812</u>	<u>\$ -</u>	<u>\$ 93,750</u>
Total primary government	<u>\$ 7,188,114</u>	<u>\$ 1,994,915</u>	<u>\$ 888,715</u>	<u>\$ 1,035,653</u>
COMPONENT UNIT:				
Convention Center	\$ 258,052	\$ 67,935	\$ -	\$ -

General revenues:

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

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business- type Activities	Total	Convention Center
\$ (1,930,978)	\$ -	\$ (1,930,978)	\$ -
(842,130)	-	(842,130)	-
126,325	-	126,325	-
(146,469)	-	(146,469)	-
(80,085)	-	(80,085)	-
(494,251)	-	(494,251)	-
\$ (3,367,588)	\$ -	\$ (3,367,588)	\$ -
\$ -	\$ 71,230	\$ 71,230	\$ -
-	27,527	27,527	-
\$ -	\$ 98,757	\$ 98,757	\$ -
\$ (3,367,588)	\$ 98,757	\$ (3,268,831)	\$ -
\$ -	\$ -	\$ -	\$ (190,117)
\$ 865,887	\$ -	\$ 865,887	\$ -
157,215	-	157,215	-
1,056,298	-	1,056,298	-
135,298	-	135,298	-
1,257,206	-	1,257,206	-
217,727	-	217,727	-
175,178	-	175,178	-
112,098	15,290	127,388	523
237,702	2,996	240,698	30,902
268,442	-	268,442	161,615
(111,500)	111,500	-	-
\$ 4,371,551	\$ 129,786	\$ 4,501,337	\$ 193,040
\$ 1,003,963	\$ 228,543	\$ 1,232,506	\$ 2,923
11,301,095	6,000,478	17,301,573	590,823
\$ 12,305,058	\$ 6,229,021	\$ 18,534,079	\$ 593,746

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Fund Financial Statements

Balance Sheet - Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 5,195,601	\$ 63,013	\$ 5,258,614
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	30,301	-	30,301
Accounts	362,442	-	362,442
Prepaid items	31,007	-	31,007
Due from other governmental units	32,622	4,364	36,986
Total assets	<u>\$ 5,651,973</u>	<u>\$ 67,377</u>	<u>\$ 5,719,350</u>
LIABILITIES			
Accounts payable	\$ 88,185	\$ 424	\$ 88,609
Accrued liabilities	26,872	-	26,872
Due to water fund	21,050	-	21,050
Total liabilities	<u>\$ 136,107</u>	<u>\$ 424</u>	<u>\$ 136,531</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 24,005</u>	<u>\$ -</u>	<u>\$ 24,005</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	<u>\$ 31,007</u>	<u>\$ -</u>	<u>\$ 31,007</u>
Committed:			
Trolley	<u>\$ -</u>	<u>\$ 66,953</u>	<u>\$ 66,953</u>
Assigned:			
Drainage	\$ 157,832	\$ -	\$ 157,832
Boat ramp repairs	258,481	-	258,481
Land acquisition	93,600	-	93,600
Playground equipment	95,093	-	95,093
Beach - various	994,825	-	994,825
Beach Access	22,000	-	22,000
Retirees	38,666	-	38,666
Mosquito control	209,555	-	209,555
Total assigned fund balance	<u>\$ 1,870,052</u>	<u>\$ -</u>	<u>\$ 1,870,052</u>
Unassigned	<u>\$ 3,590,802</u>	<u>\$ -</u>	<u>\$ 3,590,802</u>
Total fund balances	<u>\$ 5,491,861</u>	<u>\$ 66,953</u>	<u>\$ 5,558,814</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,651,973</u>	<u>\$ 67,377</u>	<u>\$ 5,719,350</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2019

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

Total fund balances for governmental funds (Exhibit 3)		\$	5,558,814
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	2,544,117	
Construction in progress		627,940	
Land improvements		122,383	
Buildings and improvements		421,561	
Infrastructure		2,982,093	
Equipment		<u>794,709</u>	7,492,803
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Unavailable revenue - property taxes			19,728
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	191,354	
OPEB related items		<u>19,530</u>	210,884
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	\$	(325,453)	
Net OPEB liability		(143,708)	
Compensated absences		<u>(160,379)</u>	(629,540)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(334,243)	
OPEB related items		<u>(13,388)</u>	<u>(347,631)</u>
Total net position of governmental activities		\$	<u><u>12,305,058</u></u>

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

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

	General	Other Governmental Funds	Total
Revenues:			
General property taxes	\$ 889,676	\$ -	\$ 889,676
Other local taxes	2,998,922	-	2,998,922
Permits, privilege fees and regulatory licenses	46,156	-	46,156
Fines and forfeitures	44,897	-	44,897
Revenue from use of money and property	112,098	-	112,098
Charges for services	394,414	6,636	401,050
Miscellaneous	237,702	-	237,702
Intergovernmental:			
Commonwealth	1,085,501	51,766	1,137,267
Federal	681,646	280,147	961,793
Total revenues	\$ 6,491,012	\$ 338,549	\$ 6,829,561
Expenditures:			
Current:			
General government administration	\$ 1,967,308	\$ -	\$ 1,967,308
Public safety	1,139,944	-	1,139,944
Public works	2,435,679	-	2,435,679
Health	146,469	-	146,469
Parks, recreation, and cultural	83,267	-	83,267
Community development	-	489,517	489,517
Total expenditures	\$ 5,772,667	\$ 489,517	\$ 6,262,184
Excess (deficiency) of revenues over (under) expenditures	\$ 718,345	\$ (150,968)	\$ 567,377
Other financing sources (uses):			
Transfers in	\$ -	\$ 340,561	\$ 340,561
Transfers (out)	(452,061)	-	(452,061)
Total other financing sources (uses)	\$ (452,061)	\$ 340,561	\$ (111,500)
Changes in fund balances	\$ 266,284	\$ 189,593	\$ 455,877
Fund balances at beginning of year	5,225,577	(122,640)	5,102,937
Fund balances at end of year	\$ 5,491,861	\$ 66,953	\$ 5,558,814

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

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

		<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	455,877
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$ 743,166	
Depreciation expense	<u>(340,791)</u>	402,375
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(23,789)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (7,682)	
Pension expense	170,544	
OPEB expense	<u>6,638</u>	<u>169,500</u>
Change in net position of governmental activities	\$	<u><u>1,003,963</u></u>

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

Statement of Net Position - Proprietary Funds
June 30, 2019

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 971,855	\$ 268,742	\$ 1,240,597
Accounts receivable	166,162	-	166,162
Inventory	-	16,391	16,391
Due from general fund	21,050	-	21,050
Total Current Assets	\$ 1,159,067	\$ 285,133	\$ 1,444,200
Noncurrent Assets			
Capital Assets			
Land	\$ 302,426	\$ -	\$ 302,426
Dock and improvements	-	2,671,106	2,671,106
Infrastructure	8,932,156	-	8,932,156
Equipment	1,278,684	208,056	1,486,740
Accumulated depreciation	(5,636,255)	(1,528,258)	(7,164,513)
Total Capital Assets (net of accumulated depreciation)	\$ 4,877,011	\$ 1,350,904	\$ 6,227,915
Total Assets	\$ 6,036,078	\$ 1,636,037	\$ 7,672,115
Deferred Outflows of Resources			
Pension related items	\$ 29,847	\$ 5,940	\$ 35,787
OPEB related items	2,128	453	2,581
Total Deferred Outflows of Resources	\$ 31,975	\$ 6,393	\$ 38,368
Total Assets and Deferred Outflows of Resources	\$ 6,068,053	\$ 1,642,430	\$ 7,710,483
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 12,732	\$ 22,852	\$ 35,584
Current portion of compensated absences	2,094	344	2,438
Current portion of general obligation bonds	254,690	-	254,690
Unearned revenue	13,392	77,589	90,981
Total Current Liabilities	\$ 282,908	\$ 100,785	\$ 383,693
Noncurrent Liabilities			
Compensated absences, net of current portion	\$ 18,849	\$ 3,095	\$ 21,944
Net pension liability	38,628	8,271	46,899
Net OPEB liability	14,281	3,011	17,292
General obligation bonds, net of current portion	965,927	-	965,927
Total Noncurrent Liabilities	\$ 1,037,685	\$ 14,377	\$ 1,052,062
Total Liabilities	\$ 1,320,593	\$ 115,162	\$ 1,435,755
Deferred Inflows of Resources			
Pension related items	\$ 33,835	\$ 10,260	\$ 44,095
OPEB related items	1,331	281	1,612
Total Deferred Inflows of Resources	\$ 35,166	\$ 10,541	\$ 45,707
NET POSITION			
Net investment in capital assets	\$ 3,656,394	\$ 1,350,904	\$ 5,007,298
Unrestricted	1,055,900	165,823	1,221,723
Total Net Position	\$ 4,712,294	\$ 1,516,727	\$ 6,229,021
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,068,053	\$ 1,642,430	\$ 7,710,483

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, 2019

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
Operating revenues:			
Charges for services	\$ 954,590	\$ 466,646	\$ 1,421,236
Total operating revenues	\$ 954,590	\$ 466,646	\$ 1,421,236
Operating expenses:			
Salaries	\$ 247,554	\$ 41,400	\$ 288,954
Fringe benefits	42,287	21,140	63,427
Contracted services	4,168	347,392	351,560
Internal service allocation	100,000	-	100,000
Miscellaneous operating expenses	68,961	301	69,262
Repairs and maintenance	55,214	47,501	102,715
Depreciation	409,435	75,135	484,570
Total operating expenses	\$ 927,619	\$ 532,869	\$ 1,460,488
Operating income (loss)	\$ 26,971	\$ (66,223)	\$ (39,252)
Nonoperating revenues (expenses):			
Availability fees	\$ 81,576	\$ -	\$ 81,576
Gain on sale of capital assets	2,996	-	2,996
Interest income	14,726	564	15,290
Interest expense	(37,317)	-	(37,317)
Total nonoperating revenues (expenses)	\$ 61,981	\$ 564	\$ 62,545
Income (loss) before transfers and capital grants	\$ 88,952	\$ (65,659)	\$ 23,293
Transfers:			
Transfers in	\$ -	\$ 111,500	\$ 111,500
Capital grant - Virginia Port Authority grant	\$ -	\$ 93,750	\$ 93,750
Change in net position	\$ 88,952	\$ 139,591	\$ 228,543
Net position, beginning of year	4,623,342	1,377,136	6,000,478
Net position, end of year	\$ 4,712,294	\$ 1,516,727	\$ 6,229,021

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2019

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 953,600	\$ 485,541	\$ 1,439,141
Payments to employees (including fringe benefits)	(325,101)	(47,415)	(372,516)
Payments for other operating activities	(220,555)	(375,800)	(596,355)
Net cash provided by (used for) operating activities	\$ 407,944	\$ 62,326	\$ 470,270
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (67,298)	\$ (147,733)	\$ (215,031)
Capital grants	-	93,750	93,750
Proceeds from availability fees	81,576	-	81,576
Interest expense	(37,317)	-	(37,317)
Issuance of general obligation bonds	58,499	-	58,499
Retirement of general obligation bonds	(247,311)	-	(247,311)
Net cash provided by (used for) capital and related financing activities	\$ (211,851)	\$ (53,983)	\$ (265,834)
Cash flows from noncapital financing activities:			
Transfers in	\$ -	\$ 111,500	\$ 111,500
Cash flows from investing activities:			
Interest income	\$ 14,726	\$ 564	\$ 15,290
Net increase (decrease) in cash and cash equivalents	\$ 210,819	\$ 120,407	\$ 331,226
Cash and cash equivalents at beginning of year	761,036	148,335	909,371
Cash and cash equivalents at end of year	\$ 971,855	\$ 268,742	\$ 1,240,597
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 26,971	\$ (66,223)	\$ (39,252)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	409,435	75,135	484,570
Changes in operating assets and liabilities and deferred outflows/inflows of resources			
(Increase) decrease in:			
Accounts receivable	(764)	-	(764)
Inventory	-	179	179
Deferred outflows of resources - pension related	(6,956)	15,735	8,779
Deferred outflows of resources - OPEB related	(1,202)	(258)	(1,460)
Increase (decrease) in:			
Accounts payable	7,788	19,215	27,003
Compensated absences	(9,809)	1,562	(8,247)
Unearned revenue	(226)	18,895	18,669
Net pension liability	(19,124)	(3,904)	(23,028)
Net OPEB liability	532	112	644
Deferred inflows of resources - pension related	1,476	1,915	3,391
Deferred inflows of resources - OPEB related	(177)	(37)	(214)
Net cash provided by (used for) operating activities	\$ 407,944	\$ 62,326	\$ 470,270

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Financial Statement Presentation

Management's Discussion and Analysis - 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 have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital 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, 2019 (Continued)

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

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

A. The Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general-purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the Town of Chincoteague (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the 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, 2019.

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, 2019. Separately issued financial statements can be obtained from the Authority, 6155 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 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 enterprise fund:

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The Town Manager is authorized to transfer budgeted amounts within all departments.
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.

For the fiscal year ended June 30, 2019, expenditures exceeded appropriations in the Trolley Fund and Main Street Revitalization Fund by \$9,039 and \$395,515, respectively.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (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.

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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 \$5,096 at June 30, 2019 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 \$99,051.

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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

K. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. For the fiscal year ended June 30, 2019 there was no interest capitalized.

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

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

L. Compensated Absences

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

M. Long-term Obligations

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

M. Long-term Obligations (Continued)

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

N. Use of Estimates

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

O. Fund Balance

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

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

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

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

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

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

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

S. Pensions

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

T. Other Postemployment Benefits (OPEB)

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

U. Upcoming Pronouncements

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

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

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

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

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

V. Adoption of Accounting Principles

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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).

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, 2019 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.

<u>Rated Debt Investments' Values</u>	
	<u>Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>5,190,164</u>

Summarized by maturity below for interest rate risk disclosure:

<u>Investment Maturity (in years)</u>		
<u>Investment Type</u>	<u>Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>5,190,164</u>	\$ <u>5,190,164</u>

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB No. 79. There are no withdrawal limitations or restrictions imposed on participants.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

The Town had receivables due from other governmental units at June 30, 2019 as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Commonwealth of Virginia:			
Communication taxes	\$ 11,976	\$ -	\$ 11,976
Mobile home sales tax	3,282	-	3,282
Auto rental tax	14,174	-	14,174
Trolley demo grant	-	4,364	4,364
Federal Government:			
VDOT - Highway planning and construction	3,190	-	3,190
Total	<u>\$ 32,622</u>	<u>\$ 4,364</u>	<u>\$ 36,986</u>

NOTE 4—CAPITAL ASSETS:

A summary of capital asset activity for the year ended June 30, 2019 is as follows:

Governmental Activities:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 2,544,117	\$ -	\$ -	\$ 2,544,117
Construction in progress	45,084	582,856	-	627,940
Total capital assets not being depreciated	<u>\$ 2,589,201</u>	<u>\$ 582,856</u>	<u>\$ -</u>	<u>\$ 3,172,057</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,109,717	\$ 5,455	\$ -	\$ 3,115,172
Land improvements	284,954	15,990	-	300,944
Infrastructure	3,654,113	-	-	3,654,113
Equipment	2,953,949	138,865	-	3,092,814
Total capital assets being depreciated	<u>\$ 10,002,733</u>	<u>\$ 160,310</u>	<u>\$ -</u>	<u>\$ 10,163,043</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,592,284	\$ 101,327	\$ -	\$ 2,693,611
Land improvements	168,033	10,528	-	178,561
Infrastructure	579,124	92,896	-	672,020
Equipment	2,162,065	136,040	-	2,298,105
Total accumulated depreciation	<u>\$ 5,501,506</u>	<u>\$ 340,791</u>	<u>\$ -</u>	<u>\$ 5,842,297</u>
Total capital assets being depreciated, net	<u>\$ 4,501,227</u>	<u>\$ (180,481)</u>	<u>\$ -</u>	<u>\$ 4,320,746</u>
Net capital assets	<u>\$ 7,090,428</u>	<u>\$ 402,375</u>	<u>\$ -</u>	<u>\$ 7,492,803</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 302,426	\$ -	\$ -	\$ 302,426
Construction in progress	1,089,832	37,298	1,127,130	-
Total capital assets not being depreciated	\$ 1,392,258	\$ 37,298	\$ 1,127,130	\$ 302,426
Capital assets being depreciated:				
Infrastructure	\$ 8,932,156	\$ -	\$ -	\$ 8,932,156
Equipment	151,644	1,157,130	30,090	1,278,684
Total capital assets being depreciated	\$ 9,083,800	\$ 1,157,130	\$ 30,090	\$ 10,210,840
Accumulated depreciation:				
Infrastructure	\$ 5,137,444	\$ 362,156	\$ -	\$ 5,499,600
Equipment	101,413	47,278	12,036	136,655
Total accumulated depreciation	\$ 5,238,857	\$ 409,434	\$ 12,036	\$ 5,636,255
Net capital assets	\$ 5,237,201	\$ 784,994	\$ 1,145,184	\$ 4,877,011
Curtis Merritt Harbor:				
Capital assets being depreciated:				
Dock and improvements	\$ 2,523,375	\$ 147,731	\$ -	\$ 2,671,106
Equipment	208,056	-	-	208,056
Total capital assets being depreciated	\$ 2,731,431	\$ 147,731	\$ -	\$ 2,879,162
Accumulated depreciation:				
Dock and improvements	\$ 1,379,691	\$ 66,418	\$ -	\$ 1,446,109
Equipment	73,432	8,717	-	82,149
Total accumulated depreciation	\$ 1,453,123	\$ 75,135	\$ -	\$ 1,528,258
Net capital assets	\$ 1,278,308	\$ 72,596	\$ -	\$ 1,350,904

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	54,556
Public safety		41,109
Public works		152,190
Parks, recreation and cultural		24,263
Community development		68,673
Total governmental activities	\$	<u>340,791</u>

Business-type activities:

Water fund	\$	409,434
Curtis Merritt Harbor		75,135
Total business-type activities	\$	<u>484,569</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, 2019:

	Balance July 1, 2018	Issuances / Additions	Retirements / Deletions	Balance June 30, 2019	Due Within One Year
Governmental activities					
Net pension liability	\$ 581,164	\$ 675,256	\$ 930,967	\$ 325,453	\$ -
Net OPEB liability	138,352	26,778	21,422	143,708	-
Compensated absences	<u>152,697</u>	<u>76,349</u>	<u>68,667</u>	<u>160,379</u>	<u>16,038</u>
Total governmental activities	<u>\$ 872,213</u>	<u>\$ 778,383</u>	<u>\$ 1,021,056</u>	<u>\$ 629,540</u>	<u>\$ 16,038</u>
Business-type activities					
Direct borrowings and placements:					
General obligation bonds	\$ 1,409,429	\$ 58,499	\$ 247,311	\$ 1,220,617	\$ 254,690
Net pension liability	69,927	109,388	132,416	46,899	-
Net OPEB liability	16,648	3,222	2,578	17,292	-
Compensated absences	<u>32,629</u>	<u>16,315</u>	<u>24,562</u>	<u>24,382</u>	<u>2,438</u>
Total Business-type activities	<u>\$ 1,528,633</u>	<u>\$ 187,424</u>	<u>\$ 406,867</u>	<u>\$ 1,309,190</u>	<u>\$ 257,128</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Business-type	
	Obligations	
	Principal	Interest
2020	\$ 254,690	\$ 29,941
2021	263,949	20,682
2022	88,306	14,724
2023	90,081	12,950
2024	91,892	11,139
2025	93,739	9,292
2026	95,623	7,408
2027	97,545	5,485
2028	99,505	3,525
2029	45,287	1,525
Total	\$ 1,220,617	\$ 116,672

Details of Long-term Obligations:

	Total Outstanding
Governmental Activities:	
Net pension liability	\$ 325,453
Net OPEB liability	143,708
Compensated absences	160,379
Total governmental activities	\$ 629,540
Business-type activities:	
Direct Borrowings and Placements:	
General Obligation Bonds:	
\$971,400 taxable general obligation water bond, Series 2017, issued May 10, 2017 due in semi-annual installments of \$51,514 beginning January 1, 2019 through January 1, 2029, interest at 2.00%.	\$ 887,277
\$2,000,000 issued June 14, 2006 due in monthly installments of \$15,133 through June 1, 2021, interest at 4.36%.	333,340
Total direct borrowings and placements	\$ 1,220,617
Net pension liability	46,900
Net OPEB liability	17,292
Compensated absences	24,382
Total business-type activities	\$ 1,309,191

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	7
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>15</u>
Total inactive members	30
Active members	<u>42</u>
Total covered employees	<u><u>87</u></u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Contributions

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2019 was 9.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$190,256 and \$209,466 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 7,652,853	\$ 7,001,762	\$ 651,091
Changes for the year:			
Service cost	\$ 239,148	\$ -	\$ 239,148
Interest	528,628	-	528,628
Differences between expected and actual experience	(221,770)	-	(221,770)
Contributions - employer	-	209,466	(209,466)
Contributions - employee	-	98,900	(98,900)
Net investment income	-	521,166	(521,166)
Benefit payments, including refunds	(202,048)	(202,048)	-
Administrative expenses	-	(4,316)	4,316
Other changes	-	(473)	473
Net changes	\$ 343,958	\$ 622,695	\$ (278,737)
Balances at June 30, 2018	\$ 7,996,811	\$ 7,624,457	\$ 372,354

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability	\$ 1,506,747	\$ 372,354	\$ (567,489)

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$8,859. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,823	\$ 254,644
Change in assumptions	-	48,413
Net difference between projected and actual earnings on pension plan investments	-	66,219
Change in proportionate share	9,062	9,062
Employer contributions subsequent to the measurement date	190,256	-
Total	\$ 227,141	\$ 378,338

\$190,256 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2020	\$ (84,983)
2021	(107,396)
2022	(143,576)
2023	(5,497)
2024	-
Thereafter	-

Pension Plan Data

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$11,111 and \$10,444 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$161,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0106% as compared to 0.0103% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,000	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,000
Change in assumptions	-	7,000
Changes in proportion	3,000	-
Employer contributions subsequent to the measurement date	11,111	-
Total	\$ 22,111	\$ 15,000

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

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

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

\$11,111 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
2024	-
Thereafter	-

Actuarial Assumptions

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 210,000	\$ 161,000	\$ 121,000

GLI Program Fiduciary Net Position

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

NOTE 8—UNAVAILABLE/DEFERRED/UNEARNED REVENUE:

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

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2019:

Description	Governmental Funds		Deferred Governmental Activities	Unearned Proprietary Activities
	Unavailable General Fund			
Harbor rents paid in advance	\$ -	\$ -	\$ -	77,589
Water bills paid in advance	-	-	-	13,392
Prepaid property taxes	4,277	4,277		-
Local delinquent real and personal property taxes	19,728	-		-
Total	\$ 24,005	\$ 4,277	\$ 90,981	

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (Continued)

NOTE 9—CONTINGENT LIABILITIES:

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

At June 30, 2019, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

NOTE 10—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 11—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 \$184,761 at June 30, 2019.

NOTE 12—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 13—OTHER POSTEMPLOYMENT BENEFITS:

The Town offers postemployment 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 75 and believes there is no material effect on the Town's financial position.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (Continued)

NOTE 14—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 452,061
Main Street Revitalization Fund	320,816	-
Trolley Fund	19,745	-
Water Fund	111,500	-
Total	<u>\$ 452,061</u>	<u>\$ 452,061</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.

NOTE 15—DUE TO / FROM OTHER FUNDS:

Interfund receivables and payables at year end are as follows:

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

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Required Supplementary Information

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

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 830,000	\$ 830,000	\$ 889,676	\$ 59,676
Other local taxes	2,731,000	2,731,000	2,998,922	267,922
Permits, privilege fees and regulatory licenses	51,300	51,300	46,156	(5,144)
Fines and forfeitures	55,000	55,000	44,897	(10,103)
Revenue from use of money and property	43,520	43,520	112,098	68,578
Charges for services	410,526	410,526	394,414	(16,112)
Miscellaneous	173,270	173,270	237,702	64,432
Intergovernmental:				
Commonwealth	1,156,753	1,156,753	1,085,501	(71,252)
Federal	434,400	434,400	681,646	247,246
Total revenues	\$ 5,885,769	\$ 5,885,769	\$ 6,491,012	\$ 605,243
Expenditures:				
General government administration	\$ 2,107,354	\$ 2,107,354	\$ 1,967,308	\$ 140,046
Public safety	1,148,143	1,148,143	1,139,944	8,199
Public works	2,353,388	2,353,388	2,435,679	(82,291)
Health	206,580	206,580	146,469	60,111
Parks, recreation and cultural	88,670	88,670	83,267	5,403
Total expenditures	\$ 5,904,135	\$ 5,904,135	\$ 5,772,667	\$ 131,468
Excess (deficiency) of revenues over expenditures	\$ (18,366)	\$ (18,366)	\$ 718,345	\$ 736,711
Other financing sources (uses):				
Transfers (out)	\$ (26,634)	\$ (26,634)	\$ (452,061)	\$ (425,427)
Total other financing sources (uses)	\$ (26,634)	\$ (26,634)	\$ (452,061)	\$ (425,427)
Changes in fund balance	\$ (45,000)	\$ (45,000)	\$ 266,284	\$ 311,284
Fund balance at beginning of year	45,000	45,000	5,225,577	5,180,577
Fund balance at end of year	\$ -	\$ -	\$ 5,491,861	\$ 5,491,861

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 239,148	\$ 244,968	\$ 235,328	\$ 239,717	\$ 227,594
Interest	528,628	507,060	466,163	438,080	407,709
Changes of assumptions	-	(89,971)	-	-	-
Difference between expected and actual experience	(221,770)	(151,971)	74,195	(40,490)	-
Benefit payments, including refunds of employee contributions	(202,048)	(201,901)	(180,972)	(291,266)	(111,619)
Net change in total pension liability	\$ 343,958	\$ 308,185	\$ 594,714	\$ 346,041	\$ 523,684
Total pension liability - beginning	7,652,853	7,344,668	6,749,954	6,403,913	5,880,229
Total pension liability - ending (a)	\$ 7,996,811	\$ 7,652,853	\$ 7,344,668	\$ 6,749,954	\$ 6,403,913
Plan fiduciary net position					
Contributions - employer	\$ 209,466	\$ 198,136	\$ 205,728	\$ 209,869	\$ 226,725
Contributions - employee	98,900	93,603	92,535	94,535	93,079
Net investment income	521,166	759,180	107,691	265,876	758,736
Benefit payments, including refunds of employee contributions	(202,048)	(201,901)	(180,972)	(291,266)	(111,619)
Administrative expense	(4,316)	(4,207)	(3,574)	(3,551)	(3,875)
Other	(472)	(684)	(45)	(57)	40
Net change in plan fiduciary net position	\$ 622,696	\$ 844,127	\$ 221,363	\$ 275,406	\$ 963,086
Plan fiduciary net position - beginning	7,001,762	6,157,635	5,936,272	5,660,866	4,697,780
Plan fiduciary net position - ending (b)	\$ 7,624,458	\$ 7,001,762	\$ 6,157,635	\$ 5,936,272	\$ 5,660,866
Town's net pension liability - ending (a) - (b)	\$ 372,353	\$ 651,091	\$ 1,187,033	\$ 813,682	\$ 743,047
Plan fiduciary net position as a percentage of the total pension liability	95.34%	91.49%	83.84%	87.95%	88.40%
Covered payroll	\$ 2,008,445	\$ 1,897,651	\$ 1,855,619	\$ 1,890,715	\$ 1,861,570
Town's net pension liability as a percentage of covered payroll	18.54%	34.31%	63.97%	43.04%	39.92%

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

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Covered Payroll
2019	\$ 190,256	\$ 190,256	\$ -	\$ 2,136,639	8.90%
2018	209,466	209,466	-	2,008,445	10.43%
2017	199,633	199,633	-	1,897,651	10.52%
2016	205,974	205,974	-	1,855,619	11.10%
2015	209,869	209,869	-	1,890,715	11.10%
2014	224,877	224,877	-	1,861,570	12.08%
2013	218,028	218,028	-	1,804,868	12.08%
2012	155,085	155,085	-	1,642,845	9.44%
2011	145,253	145,253	-	1,538,697	9.44%
2010	124,724	124,724	-	1,491,909	8.36%

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
Primary Government:					
2018	0.0106% \$	161,000 \$	2,008,445	8.02%	51.22%
2017	0.0103%	155,000	1,897,651	8.17%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2013 through June 30, 2019

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Primary Government					
2019	\$ 11,111	\$ 11,111	\$ -	\$ 2,136,639	0.52%
2018	10,444	10,444	-	2,008,445	0.52%
2017	9,868	9,868	-	1,897,651	0.52%
2016	8,907	8,907	-	1,855,619	0.48%
2015	9,075	9,075	-	1,890,715	0.48%
2014	8,936	8,936	-	1,861,570	0.48%
2013	8,663	8,663	-	1,804,868	0.48%

Schedule is intended to show information for 10 years. Information prior to the 2013 valuation is not available. However, additional years will be included as they become available.

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Other Supplementary Information

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Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

	Main Street Revitalization Fund	Trolley Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 63,013	\$ 63,013
Receivables:			
Due from other governments	-	4,364	4,364
Total assets	\$ -	\$ 67,377	\$ 67,377
LIABILITIES			
Accounts payable	\$ -	\$ 424	\$ 424
Total liabilities	\$ -	\$ 424	\$ 424
FUND BALANCES			
Committed:			
Trolley	\$ -	\$ 66,953	\$ 66,953
Total fund balances	\$ -	\$ 66,953	\$ 66,953
Total liabilities and fund balances	\$ -	\$ 67,377	\$ 67,377

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2019

	Main Street Revitalization Fund	Trolley Fund	Total
Revenues:			
Charges for services	\$ -	\$ 6,636	6,636
Intergovernmental:			
Commonwealth	-	51,766	51,766
Federal	279,110	1,037	280,147
	<u>279,110</u>	<u>59,439</u>	<u>338,549</u>
Total revenues	\$ 279,110	\$ 59,439	\$ 338,549
Expenditures:			
Current:			
Community development	\$ 395,515	\$ 94,002	\$ 489,517
	<u>395,515</u>	<u>94,002</u>	<u>489,517</u>
Total expenditures	\$ 395,515	\$ 94,002	\$ 489,517
Excess (deficiency) of revenues over expenditures	\$ (116,405)	\$ (34,563)	\$ (150,968)
Other financing sources (uses):			
Transfers in	\$ 320,816	\$ 19,745	\$ 340,561
	<u>320,816</u>	<u>19,745</u>	<u>340,561</u>
Total other financing sources (uses)	\$ 320,816	\$ 19,745	\$ 340,561
Changes in fund balances	\$ 204,411	\$ (14,818)	\$ 189,593
Fund balances at beginning of year	<u>(204,411)</u>	<u>81,771</u>	<u>(122,640)</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ 66,953</u></u>	<u><u>\$ 66,953</u></u>

Supporting Schedules

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Governmental Funds
 Schedule of Revenues - Budget and Actual
 Year Ended June 30, 2019

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	\$ 610,000	\$ 610,000	\$ 641,408	\$ 31,408
Personal property taxes	200,000	200,000	218,512	18,512
Interest and penalties	20,000	20,000	29,756	9,756
Total general property taxes	\$ 830,000	\$ 830,000	\$ 889,676	\$ 59,676
Other local taxes:				
Local sales and use taxes	\$ 138,000	\$ 138,000	\$ 157,215	\$ 19,215
Consumers' utility taxes	206,000	206,000	217,727	11,727
Business license taxes	128,000	128,000	135,298	7,298
Motor vehicle licenses	72,000	72,000	80,134	8,134
Bank franchise tax	72,000	72,000	95,044	23,044
Transient occupancy tax	1,200,000	1,200,000	1,257,206	57,206
Meals taxes	915,000	915,000	1,056,298	141,298
Total other local taxes	\$ 2,731,000	\$ 2,731,000	\$ 2,998,922	\$ 267,922
Permits, privilege fees and regulatory licenses:				
Road permit fees	\$ 100	\$ 100	\$ 360	\$ 260
Zoning advertisements	1,200	1,200	1,350	150
Permits and other licenses	50,000	50,000	44,446	(5,554)
Total permits, privilege fees and regulatory licenses	\$ 51,300	\$ 51,300	\$ 46,156	\$ (5,144)
Fines and forfeitures:				
Court fines and forfeitures	\$ 55,000	\$ 55,000	\$ 44,897	\$ (10,103)
Revenue from use of money and property:				
Revenue from use of money	\$ 23,000	\$ 23,000	\$ 89,328	\$ 66,328
Revenue from use of property	20,520	20,520	22,770	2,250
Total revenue from use of money and property	\$ 43,520	\$ 43,520	\$ 112,098	\$ 68,578
Charges for services:				
911 dispatch for Assateague	\$ 24,894	\$ 24,894	\$ 8,112	\$ (16,782)
Solid waste collection fees	385,632	385,632	386,302	670
Total charges for services	\$ 410,526	\$ 410,526	\$ 394,414	\$ (16,112)

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from local sources (continued):				
Miscellaneous:				
Sale of capital assets	\$ 10,000	\$ 10,000	\$ 55,768	\$ 45,768
Police donations	20,000	20,000	32,837	12,837
Police miscellaneous	-	-	10,030	10,030
Cemetery cleanup donation	600	600	1,750	1,150
User fees	26,000	26,000	25,491	(509)
Recovered costs from water fund	100,000	100,000	100,000	-
Miscellaneous	16,670	16,670	11,826	(4,844)
Total miscellaneous	\$ 173,270	\$ 173,270	\$ 237,702	\$ 64,432
Total revenue from local sources	\$ 4,294,616	\$ 4,294,616	\$ 4,723,865	\$ 429,249
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home sales tax	\$ 10,000	\$ 10,000	\$ 6,007	\$ (3,993)
Auto rental tax	-	-	16,784	16,784
Personal property tax reimbursement	129,246	129,246	129,246	-
Communication taxes	105,000	105,000	108,585	3,585
Total noncategorical aid	\$ 244,246	\$ 244,246	\$ 260,622	\$ 16,376
Categorical aid:				
Law enforcement grants	\$ 112,550	\$ 112,550	\$ 112,552	\$ 2
Fire department grant	10,000	10,000	10,180	180
Street and highway maintenance	783,757	783,757	697,647	(86,110)
Litter control	1,700	1,700	-	(1,700)
VA commission for the arts grant	4,500	4,500	4,500	-
Total categorical aid	\$ 912,507	\$ 912,507	\$ 824,879	\$ (87,628)
Total revenue from the Commonwealth	\$ 1,156,753	\$ 1,156,753	\$ 1,085,501	\$ (71,252)
Revenue from the Federal Government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 8,400	\$ 8,400	\$ 7,820	\$ (580)
Categorical aid:				
Police grants	\$ 6,000	\$ 6,000	\$ 8,620	\$ 2,620
SRTS grant	-	-	53,496	53,496
Emergency management grant	7,500	7,500	2,413	(5,087)
USFWS grant	412,500	412,500	609,297	196,797
Total categorical aid	\$ 426,000	\$ 426,000	\$ 673,826	\$ 247,826
Total revenue from the federal government	\$ 434,400	\$ 434,400	\$ 681,646	\$ 247,246
Total General Fund	\$ 5,885,769	\$ 5,885,769	\$ 6,491,012	\$ 605,243

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Main Street Revitalization Fund:				
Intergovernmental:				
Revenue from the Federal Government:				
Categorical aid:				
TEA 21 grant	\$ -	\$ -	\$ 279,110	\$ 279,110
Total revenue from the federal government	\$ -	\$ -	\$ 279,110	\$ 279,110
Total Main Street Revitalization Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,110</u>	<u>\$ 279,110</u>
Trolley Fund:				
Revenue from local sources:				
Charges for services:				
Charges for transportation	\$ 7,000	\$ 7,000	\$ 6,636	\$ (364)
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Trolley demo grant	\$ 49,329	\$ 49,329	\$ 51,766	\$ 2,437
Revenue from the Federal Government:				
Categorical aid:				
Trolley demo grant	\$ 2,000	\$ 2,000	\$ 1,037	\$ (963)
Total Trolley Fund	<u>\$ 58,329</u>	<u>\$ 58,329</u>	<u>\$ 59,439</u>	<u>\$ 1,110</u>
Total Special Revenue Funds	<u>\$ 58,329</u>	<u>\$ 58,329</u>	<u>\$ 338,549</u>	<u>\$ 280,220</u>
Total Primary Government	<u>\$ 5,944,098</u>	<u>\$ 5,944,098</u>	<u>\$ 6,829,561</u>	<u>\$ 885,463</u>

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2019

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	\$ 477,216	\$ 477,216	\$ 429,805	\$ 47,411
Overtime	2,000	2,000	149	1,851
Social security	36,660	36,660	33,480	3,180
Hospitalization	53,874	53,874	43,254	10,620
Unemployment	6,000	6,000	1,641	4,359
Retirement	42,950	42,950	28,395	14,555
VRS life insurance	3,251	3,251	1,446	1,805
Bank charges	8,000	8,000	13,608	(5,608)
Building administration expenses	100	100	-	100
Cleaning	15,000	15,000	14,152	848
Planning commission	40	40	-	40
Board of zoning appeals	40	40	-	40
Building permit surcharge	1,000	1,000	737	263
Board of building code appeal	25	25	-	25
Insurance	133,033	133,033	126,376	6,657
Auditing	24,750	24,750	24,000	750
Donations	14,350	14,350	13,600	750
Transfer to civic center	110,000	110,000	110,000	-
Tourism - 10% meals tax	91,500	91,500	103,230	(11,730)
ANPDC membership	7,000	7,000	7,000	-
Scholarship	1,000	1,000	1,000	-
Office supplies and publications	14,198	14,198	8,710	5,488
Office equipment and software maintenance	29,000	29,000	35,904	(6,904)
Postage	12,000	12,000	10,918	1,082
Tax bills and conversion	2,800	2,800	2,250	550
Motor vehicle license	1,450	1,450	-	1,450
Gasoline and diesel	500	500	981	(481)
Vehicle maintenance	1,000	1,000	187	813
Travel and training	4,000	4,000	2,001	1,999
Mayor expense	300	300	-	300
Council's expense	1,000	1,000	1,118	(118)
Town manager's expense	1,000	1,000	289	711
Attorney/consultant	75,000	75,000	46,275	28,725
Drug and alcohol testing	4,500	4,500	2,377	2,123
Christmas dinner	2,500	2,500	2,437	63
Dues	2,000	2,000	2,100	(100)
Advertising and website	12,453	12,453	13,992	(1,539)
Building maintenance	15,000	15,000	20,306	(5,306)
Electricity	14,000	14,000	11,132	2,868
Heating oil and gas	4,500	4,500	5,432	(932)

Governmental Funds
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2019 (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)				
Special projects	\$ 9,000	\$ 9,000	\$ 3,633	\$ 5,367
Pony penning	17,000	17,000	13,620	3,380
Deer de-pop program	500	500	439	61
Telephone bills	21,300	21,300	26,501	(5,201)
Health insurance - retirees	44,198	44,198	46,274	(2,076)
Retiree prescription drug assistance	3,120	3,120	3,659	(539)
Miscellaneous	3,500	3,500	18,017	(14,517)
911 Addressing	302	302	437	(135)
Cemetery cleanup donation	1,500	1,500	1,207	293
VA commission for the arts	9,000	9,000	9,000	-
Property acquisition reserve	25,000	25,000	-	25,000
Office equipment	4,000	4,000	84	3,916
Council room equipment/furniture	10,000	10,000	-	10,000
New boiler - municipal building	12,483	12,483	-	12,483
Total general and financial administration	\$ 1,385,893	\$ 1,385,893	\$ 1,241,153	\$ 144,740
Total general government administration	\$ 1,413,733	\$ 1,413,733	\$ 1,268,993	\$ 144,740
Public safety:				
Law enforcement and traffic control:				
Salaries for officers	\$ 527,944	\$ 527,944	\$ 534,642	\$ (6,698)
Overtime	8,500	8,500	5,694	2,806
Social security	41,038	41,038	40,159	879
Hospitalization	72,120	72,120	68,486	3,634
Retirement	43,920	43,920	34,110	9,810
VRS life insurance	3,324	3,324	1,762	1,562
Gasoline	14,000	14,000	16,552	(2,552)
Travel and training	7,500	7,500	7,681	(181)
Uniform allowance (Officer's)	6,000	6,000	6,384	(384)
Uniforms (Town)	2,000	2,000	3,297	(1,297)
Office supplies and equipment maintenance	6,000	6,000	2,657	3,343
Equipment repairs and supplies	8,150	8,150	15,958	(7,808)
Vehicle maintenance	12,000	12,000	5,761	6,239
Drug enforcement	3,500	3,500	2,975	525
Academy dues	8,900	8,900	7,014	1,886
Bicycle patrol	200	200	438	(238)
Community/youth programs	20,000	20,000	40,311	(20,311)
Grant funded expenditures	6,000	6,000	1,425	4,575
Ammunition	2,500	2,500	1,560	940
Cell phone allowance	3,600	3,600	2,825	775
Police Accreditation	1,000	1,000	411	589
Sundry	1,000	1,000	1,326	(326)
Patrol vehicle	35,000	35,000	40,731	(5,731)
In car computers	25,000	25,000	13,340	11,660
Surveillance equipment	5,000	5,000	9,220	(4,220)
Radar units	8,500	8,500	8,016	484
Internal surveillance	2,000	2,000	995	1,005
Software maintenance - cameras	8,290	8,290	7,442	848
Other capital improvements	13,700	13,700	-	13,700
Total law enforcement and traffic control	\$ 896,686	\$ 896,686	\$ 881,172	\$ 15,514

Governmental Funds
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2019 (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 Dispatch:				
Salaries for officers	\$ 176,167	\$ 176,167	\$ 187,105	\$ (10,938)
Overtime	2,000	2,000	2,034	(34)
Social security	13,632	13,632	14,121	(489)
Hospitalization	28,848	28,848	28,004	844
Retirement	12,095	12,095	9,405	2,690
VRS life insurance	915	915	682	233
Travel and training	1,000	1,000	540	460
Uniform allowance	1,500	1,500	1,712	(212)
Uniform (Town for dispatch)	600	600	635	(35)
Office supplies/equipment maintenance	14,500	14,500	14,112	388
Sundry	200	200	422	(222)
Total police dispatch	\$ 251,457	\$ 251,457	\$ 258,772	\$ (7,315)
Emergency Medical Services:				
Salaries	\$ 511,414	\$ 511,414	\$ 477,956	\$ 33,458
Overtime	21,279	21,279	64,374	(43,095)
Social security	40,753	40,753	40,059	694
Hospitalization	36,060	36,060	42,700	(6,640)
Retirement	25,811	25,811	31,944	(6,133)
VRS life insurance	1,954	1,954	1,847	107
Staff allowances	3,900	3,900	5,911	(2,011)
CVFC donation	21,000	21,000	18,954	2,046
VA Fire Programs/CVFC	10,000	10,000	-	10,000
Office supplies/equipment maintenance	1,800	1,800	1,199	601
Travel and training	1,500	1,500	40	1,460
Dues	1,000	1,000	-	1,000
EOC operations/training	7,500	7,500	2,441	5,059
Miscellaneous	400	400	240	160
VOLSAP	5,750	5,750	5,460	290
EMS employee lockers	3,500	3,500	5,190	(1,690)
Total emergency medical services	\$ 693,621	\$ 693,621	\$ 698,315	\$ (4,694)
Total public safety	\$ 1,841,764	\$ 1,841,764	\$ 1,838,259	\$ 3,505
Public works:				
Administrative:				
Salaries	\$ 121,014	\$ 121,014	\$ 77,096	\$ 43,918
Overtime	500	500	-	500
Social security	9,216	9,216	4,514	4,702
Hospitalization	14,280	14,280	13,586	694
Retirement	10,843	10,843	10,597	246
VRS life insurance	821	821	552	269
Office supplies	500	500	409	91
Street maintenance	2,000	2,000	-	2,000
Street signs/911	1,000	1,000	86	914
Street lights	23,500	23,500	24,464	(964)
Gasoline and diesel	17,000	17,000	23,027	(6,027)
Oil/grease	1,473	1,473	1,092	381
Tools/shop	3,000	3,000	1,289	1,711
Travel and training	1,000	1,000	43	957
Clothing and uniforms	3,985	3,985	4,425	(440)
Building maintenance	3,500	3,500	1,429	2,071
Equipment repairs	21,000	21,000	18,732	2,268
Safety	1,000	1,000	377	623
Vehicle maintenance	1,000	1,000	231	769
Tires	2,400	2,400	148	2,252
Garage supplies	3,500	3,500	2,785	715
Vehicle repairs	4,000	4,000	6,254	(2,254)
Electricity	5,700	5,700	8,085	(2,385)
LP gas	3,600	3,600	1,624	1,976
Tipping fees	500	500	956	(456)
Sewage treatment study	80,000	80,000	37,481	42,519
Sanitation service contracts	385,632	385,632	397,143	(11,511)
Miscellaneous	1,800	1,800	2,181	(381)
Pedestrian trail project	375,000	375,000	581,620	(206,620)
Total administrative	\$ 1,098,764	\$ 1,098,764	\$ 1,220,226	\$ (121,462)

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2019 (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	\$ 221,633	\$ 221,633	\$ 276,728	\$ (55,095)
Overtime	3,500	3,500	2,146	1,354
Social security	17,223	17,223	19,435	(2,212)
Hospitalization	43,125	43,125	42,700	425
Retirement	19,947	19,947	15,200	4,747
VRS life insurance	1,510	1,510	784	726
Seasonal décor and banners	18,000	18,000	25,003	(7,003)
Tools	1,000	1,000	659	341
Electricity	4,500	4,500	5,366	(866)
Sundry	350	350	600	(250)
Vandalism	1,000	1,000	-	1,000
Boat ramp repairs	26,000	26,000	16,052	9,948
Bridge tender house restore	10,000	10,000	4,477	5,523
Paving	97,434	97,434	110,184	(12,750)
HVAC replacement	5,000	5,000	4,290	710
Total facilities department	\$ 470,222	\$ 470,222	\$ 523,624	\$ (53,402)
Roads department:				
Salaries	\$ 131,390	\$ 131,390	\$ 142,272	\$ (10,882)
Overtime	2,500	2,500	-	2,500
Social security	10,242	10,242	10,667	(425)
Hospitalization	21,000	21,000	21,904	(904)
Retirement	11,824	11,824	12,128	(304)
VRS life insurance	895	895	627	268
Snow removal	35,000	35,000	10,001	24,999
Pavement maintenance	331,000	331,000	371,559	(40,559)
Sidewalks and gutters	100,000	100,000	20,301	79,699
Roadside structures	3,000	3,000	725	2,275
Drainage maintenance	45,000	45,000	5,116	39,884
Traffic control operations	2,000	2,000	1,549	451
Traffic control devices	14,800	14,800	17,929	(3,129)
Vehicles/equipment	-	-	20,000	(20,000)
Engineering	10,000	10,000	-	10,000
Electricity	65,751	65,751	57,051	8,700
Total roads department	\$ 784,402	\$ 784,402	\$ 691,829	\$ 92,573
Total public works	\$ 2,353,388	\$ 2,353,388	\$ 2,435,679	\$ (82,291)
Health:				
Mosquito control:				
Salaries	\$ 36,756	\$ 36,756	\$ 33,707	\$ 3,049
Overtime	200	200	190	10
Social security	2,827	2,827	2,593	234
Insurance	8,100	8,100	6,500	1,600
Office supplies	120	120	-	120
Chemicals	77,361	77,361	77,337	24
Gasoline	4,635	4,635	3,380	1,255
Tools and small equipment	1,000	1,000	215	785
Uniforms	200	200	-	200
Contract spraying	27,600	27,600	20,790	6,810
Travel	100	100	123	(23)
Equipment repairs and maintenance	1,000	1,000	119	881
Safety equipment	200	200	-	200

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health: (Continued)				
Mosquito control: (Continued)				
Vehicle maintenance	\$ 1,281	\$ 1,281	\$ 1,012	\$ 269
Sundry	200	200	-	200
Drainage projects	45,000	45,000	503	44,497
Total health	\$ 206,580	\$ 206,580	\$ 146,469	\$ 60,111
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation - various expenditures	\$ 88,670	\$ 88,670	\$ 83,267	\$ 5,403
Total parks, recreation and cultural	\$ 88,670	\$ 88,670	\$ 83,267	\$ 5,403
Total General Fund	\$ 5,904,135	\$ 5,904,135	\$ 5,772,667	\$ 131,468
Special revenue funds:				
Main Street Revitalization Fund:				
Community Development:				
Grant repayment	\$ -	\$ -	\$ 395,515	\$ (395,515)
Total Main Street Revitalization Fund	\$ -	\$ -	\$ 395,515	\$ (395,515)
Trolley Fund:				
Community Development:				
Salaries	\$ 43,263	\$ 43,263	\$ 42,568	\$ 695
Social security	3,310	3,310	3,256	54
Insurance	3,000	3,000	-	3,000
Advertising	1,200	1,200	1,701	(501)
Printing and reproduction	1,200	1,200	1,468	(268)
Fuel	7,000	7,000	5,714	1,286
Communication services	1,200	1,200	331	869
Cleaning supplies	100	100	117	(17)
Equipment repairs and maintenance	4,000	4,000	13,815	(9,815)
Supplies and materials	1,000	1,000	1,196	(196)
Tires and tubes	600	600	-	600
Parts	750	750	-	750
Drug and alcohol testing	1,090	1,090	1,010	80
RTAP expenses	-	-	6,801	(6,801)
Education and training	1,000	1,000	115	885
Rent expense	15,000	15,000	15,000	-
Membership dues	250	250	125	125
Travel	1,000	1,000	785	215
Total Trolley Fund	\$ 84,963	\$ 84,963	\$ 94,002	\$ (9,039)
Total Special Revenue Funds	\$ 84,963	\$ 84,963	\$ 489,517	\$ (404,554)
Total Primary Government	\$ 5,989,098	\$ 5,989,098	\$ 6,262,184	\$ (273,086)

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
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
2014-15	1,665,614	967,967	1,544,112	103,309	83,815
2015-16	1,742,824	1,357,709	1,811,561	141,865	14,296
2016-17	1,942,453	1,133,551	1,876,825	192,283	75,925
2017-18	1,956,442	1,039,067	1,719,243	165,676	48,941
2018-19	1,977,134	1,028,904	1,899,527	146,469	80,085

Table 1

Community Development		Interest on Debt		Water		Curtis Merritt Harbor		Total
\$	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
	149,149		2,799		952,458		254,511	5,723,734
	327,707		206		944,657		190,983	6,531,808
	116,011		-		978,436		227,970	6,543,454
	138,091		-		1,031,164		392,904	6,491,528
	558,190		-		964,936		532,869	7,188,114

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Revenues

Last Ten Fiscal Years

Fiscal Year	Program Revenues				General Property Taxes
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
2009-10	\$ 1,331,747	\$ 772,528	\$ 168,623	\$	853,338
2010-11	1,566,190	754,453	108,807		841,694
2011-12	1,737,058	1,107,159	1,037,025		853,748
2012-13	1,801,085	888,124	180,369		847,876
2013-14	1,714,263	879,295	537,999		872,343
2014-15	1,841,933	860,634	170,537		876,354
2015-16	1,785,292	926,130	207,380		869,552
2016-17	1,686,369	1,004,918	-		865,807
2017-18	2,021,422	898,987	48,131		875,086
2018-19	1,994,915	888,715	1,035,653		865,887

Table 2

General Revenues					
	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs	Revenues from the Use of Money and Property	Miscellaneous	Total
\$	1,565,711	\$ 150,435	\$ 48,839	\$ 406,048	\$ 5,297,269
	1,848,432	342,506	37,357	180,719	5,680,158
	1,915,645	342,475	30,510	195,536	7,219,156
	2,046,326	318,578	31,329	156,868	6,270,555
	2,196,011	325,817	35,745	169,570	6,731,043
	2,406,663	262,236	72,575	188,562	6,679,494
	2,647,320	404,166	62,462	221,423	7,123,725
	2,826,013	257,874	60,871	210,122	6,911,974
	2,856,532	271,404	67,601	251,921	7,291,084
	2,998,922	268,442	127,388	240,698	8,420,620

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
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
2014-15		881,529		2,406,663		40,577		29,165		67,359
2015-16		873,494		2,647,320		54,087		53,932		55,012
2016-17		859,505		2,826,013		47,732		47,498		53,562
2017-18		873,058		2,856,532		56,052		61,996		59,529
2018-19		889,676		2,998,922		46,156		44,897		112,098

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

Table 3

	Charges for Services	Miscellaneous	Inter- governmental	Total
\$	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
	417,536	188,562	1,293,407	5,324,798
	419,447	221,423	1,537,676	5,862,391
	419,747	229,791	1,262,792	5,746,640
	501,989	260,835	1,218,522	5,888,513
	401,050	237,702	2,099,060	6,829,561

TOWN OF CHINCOTEAGUE, VIRGINIA

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

Fiscal Year	General Administration	Public Safety	Public Works	Health	Parks Recreation and Cultural
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
2014-15	1,647,750	970,609	1,487,677	103,309	129,679
2015-16	1,707,869	1,340,155	1,729,143	141,865	37,519
2016-17	1,884,717	1,115,799	1,812,717	199,883	36,973
2017-18	1,926,079	1,032,632	1,753,972	229,387	22,408
2018-19	1,967,308	1,139,944	2,435,679	146,469	83,267

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

Table 4

Community Development	Debt Service	Total
\$ 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
314,786	76,602	4,730,412
612,357	34,855	5,603,763
389,551	-	5,439,640
84,378	-	5,048,856
489,517	-	6,262,184

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
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%
2014-15	974,701	945,178	96.97%	27,120	972,298	99.75%	50,166	5.15%
2015-16	990,406	967,532	97.69%	29,655	997,187	100.68%	40,681	4.11%
2016-17	991,528	965,055	97.33%	18,196	983,251	99.17%	48,270	4.87%
2017-18	1,003,738	980,014	97.64%	20,028	1,000,042	99.63%	50,204	5.00%
2018-19	1,004,904	985,267	98.05%	65,218	1,050,485	104.54%	30,301	3.02%

(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
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
2014-15	909,771,100	38,321,675	12,040,374	5,278,186	965,411,335
2015-16	915,073,300	39,732,541	12,167,820	5,147,357	972,121,018
2016-17	908,031,000	40,432,104	12,391,669	5,079,414	965,934,187
2017-18	915,807,500	42,407,580	12,376,369	4,977,420	975,568,869
2018-19	903,788,900	42,393,048	12,879,559	4,038,640	963,100,147

(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
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
2014-15	0.07	0.85	0.07	0.07	0.85
2015-16	0.07	0.85	0.07	0.07	0.85
2016-17	0.07	0.85	0.07	0.07	0.85
2017-18	0.07	0.85	0.07	0.07	0.85
2018-19	0.07	0.85	0.07	0.07	0.85

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
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
2014-15	2,941	965,411,335	1,354,372	1,354,372	0.14%	461
2015-16	2,941	972,121,018	1,043,743	1,043,743	0.11%	355
2016-17	2,941	965,934,187	786,707	786,707	0.08%	267
2017-18	2,941	975,568,869	1,409,429	1,409,429	0.14%	479
2018-19	2,941	963,100,147	1,220,617	1,220,617	0.13%	415

(1) Weldon Cooper Center for Public Service.

(2) From Table 6.

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

Excludes revenue bonds, capital leases, and compensated absences.

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Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise Town of Chincoteague, Virginia's basic financial statements, and have issued our report thereon dated January 29, 2020.

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 29, 2020