



Financial Report

YEAR ENDED JUNE 30, 2021

TOWN OF CHINCOTEAGUE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

TOWN OF CHINCOTEAGUE, VIRGINIA

- TOWN COUNCIL -

J. Arthur Leonard, Mayor

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

Ellen W. Richardson
Gene Wayne Taylor
Jay Savage

- OTHER TOWN OFFICIALS -

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

TOWN OF CHINCOTEAGUE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-8, 53 and 54-60 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and schedule of expenditures of federal awards 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 and schedule of expenditures of federal awards 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 April 26, 2022, on our consideration of Town of Chincoteague, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Chincoteague, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chincoteague, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

April 26, 2022

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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, 2021.

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 \$20,370,877 (net position). Of this amount \$6,716,324 (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 \$6,449,584, an increase of \$1,102,205 in comparison with the prior year. Approximately seventy percent of this total amount, \$4,492,641 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$249,458 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,370,877 at the close of the most recent fiscal year.

Town of Chincoteague, Virginia's Net Position June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 7,986,036	\$ 5,467,209	\$ 1,373,047	\$ 1,131,164	\$ 9,359,083	\$ 6,598,373
Capital assets	<u>9,012,117</u>	<u>8,518,778</u>	<u>5,358,279</u>	<u>5,742,574</u>	<u>14,370,396</u>	<u>14,261,352</u>
Total assets	<u>\$ 16,998,153</u>	<u>\$ 13,985,987</u>	<u>\$ 6,731,326</u>	<u>\$ 6,873,738</u>	<u>\$ 23,729,479</u>	<u>\$ 20,859,725</u>
Deferred outflows of resources	<u>\$ 653,441</u>	<u>\$ 468,060</u>	<u>\$ 83,042</u>	<u>\$ 65,730</u>	<u>\$ 736,483</u>	<u>\$ 533,790</u>
Total assets and deferred outflows of resources	<u>\$ 17,651,594</u>	<u>\$ 14,454,047</u>	<u>\$ 6,814,368</u>	<u>\$ 6,939,468</u>	<u>\$ 24,465,962</u>	<u>\$ 21,393,515</u>
Current liabilities	\$ 1,574,559	\$ 111,662	\$ 112,613	\$ 374,815	\$ 1,687,172	\$ 486,477
Long-term liabilities outstanding	<u>1,508,775</u>	<u>993,934</u>	<u>802,476</u>	<u>842,271</u>	<u>2,311,251</u>	<u>1,836,205</u>
Total liabilities	<u>\$ 3,083,334</u>	<u>\$ 1,105,596</u>	<u>\$ 915,089</u>	<u>\$ 1,217,086</u>	<u>\$ 3,998,423</u>	<u>\$ 2,322,682</u>
Deferred inflows of resources	<u>\$ 77,152</u>	<u>\$ 239,759</u>	<u>\$ 19,500</u>	<u>\$ 31,460</u>	<u>\$ 96,652</u>	<u>\$ 271,219</u>
Net investment in capital assets	\$ 8,828,453	\$ 8,518,778	\$ 4,642,436	\$ 4,777,273	\$ 13,470,889	\$ 13,296,051
Unrestricted	<u>5,662,655</u>	<u>4,589,914</u>	<u>1,237,343</u>	<u>913,649</u>	<u>6,899,998</u>	<u>5,503,563</u>
Total net position	<u>\$ 14,491,108</u>	<u>\$ 13,108,692</u>	<u>\$ 5,879,779</u>	<u>\$ 5,690,922</u>	<u>\$ 20,370,887</u>	<u>\$ 18,799,614</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,651,594</u>	<u>\$ 14,454,047</u>	<u>\$ 6,814,368</u>	<u>\$ 6,939,468</u>	<u>\$ 24,465,962</u>	<u>\$ 21,393,515</u>

A large part of the Town's net position, \$13,654,553 (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 \$1,382,416 while business-type activities decreased net position by \$188,847. Key elements of these changes are as follows:

Town of Chincoteague, Virginia's Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 496,496	\$ 481,078	\$ 1,576,250	\$ 1,391,593	\$ 2,072,746	\$ 1,872,671
Operating grants and contributions	1,445,325	898,490	-	-	1,445,325	898,490
Capital grants and contributions	238,358	604,213	110,067	-	348,425	604,213
General revenues:						
General property taxes	945,065	897,332	-	-	945,065	897,332
Other local taxes	3,690,730	2,677,539	-	-	3,690,730	2,677,539
Grants and contributions not restricted to specific programs	239,500	245,801	-	-	239,500	245,801
Other general revenues	375,805	350,697	5,703	17,634	381,508	368,331
Total revenues	<u>\$ 7,431,279</u>	<u>\$ 6,155,150</u>	<u>\$ 1,692,020</u>	<u>\$ 1,409,227</u>	<u>\$ 9,123,299</u>	<u>\$ 7,564,377</u>
Expenses:						
General government administration	\$ 1,353,196	\$ 1,284,077	\$ -	\$ -	\$ 1,353,196	\$ 1,284,077
Public safety	1,994,573	1,895,028	-	-	1,994,573	1,895,028
Public works	2,381,684	1,851,070	-	-	2,381,684	1,851,070
Health	103,906	121,510	-	-	103,906	121,510
Parks, recreation, and cultural	38,030	47,467	-	-	38,030	47,467
Community development	147,165	152,364	-	-	147,165	152,364
Interest and other fiscal charges	1,876	-	-	-	1,876	0
Water	-	-	1,086,834	1,515,899	1,086,834	1,515,899
Curtis Merritt Harbor	-	-	453,018	431,427	453,018	431,427
Total expenses	<u>\$ 6,020,430</u>	<u>\$ 5,351,516</u>	<u>\$ 1,539,852</u>	<u>\$ 1,947,326</u>	<u>\$ 7,560,282</u>	<u>\$ 7,298,842</u>
Increase in net position before transfers	\$ 1,410,849	\$ 803,634	\$ 152,168	\$ (538,099)	\$ 1,563,017	\$ 265,535
Transfers	<u>(36,689)</u>	<u>-</u>	<u>36,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ 1,374,160	\$ 803,634	\$ 188,857	\$ (538,099)	\$ 1,563,017	\$ 265,535
Net position, July 1	<u>13,108,692</u>	<u>12,305,058</u>	<u>5,690,922</u>	<u>6,229,021</u>	<u>18,799,614</u>	<u>18,534,079</u>
Net position, June 30	<u>\$ 14,482,852</u>	<u>\$ 13,108,692</u>	<u>\$ 5,879,779</u>	<u>\$ 5,690,922</u>	<u>\$ 20,362,631</u>	<u>\$ 18,799,614</u>

Financial Analysis of the Town's Funds

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,449,584 an increase of \$1,102,205 in comparison with the prior year. A large part of this total amount, \$4,492,641 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 \$4,492,641 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$7,604,979 in revenues during the year, which was \$648,767 more than budgeted (reference Exhibit 10). The Town's General Fund expended \$6,459,656 during the year, which was \$89,271 more 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, 2021 totals \$9,012,117 (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 \$8,518,778 results in an increase of \$493,339. This increase is due primarily to current year additions. The Water Fund and Curtis Merritt Harbor Fund's capital assets decreased from \$5,742,574 to \$5,358,279.

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 \$249,458 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 \$1,198,262 while the business-type activities have a balance outstanding of \$149,282.

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

Contact the Town's Financial Management

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

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Convention Center
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 7,390,188	\$ 1,159,101	\$ 8,549,289	\$ 185,689
Receivables (net of allowance for uncollectibles):				
Property taxes	27,305	-	27,305	-
Accounts receivable	521,817	174,336	696,153	50
Prepaid items	50,630	-	50,630	291
Internal balances	(21,050)	21,050	-	-
Due from other governments	17,146	-	17,146	-
Inventory	-	18,560	18,560	-
Total Current Assets	\$ 7,986,036	\$ 1,373,047	\$ 9,359,083	\$ 186,030
Noncurrent Assets				
Capital assets (net of accumulated depreciation):				
Land	\$ 2,664,756	\$ 302,426	\$ 2,967,182	\$ -
Construction in progress	425,159	-	425,159	-
Land improvements	1,435,939	-	1,435,939	3,852
Dock and improvements	-	1,230,987	1,230,987	-
Buildings and improvements	807,843	-	807,843	468,837
Infrastructure	2,769,607	2,708,242	5,477,849	-
Equipment	908,813	1,116,624	2,025,437	7,650
Total Capital Assets	\$ 9,012,117	\$ 5,358,279	\$ 14,370,396	\$ 480,339
Total Assets	\$ 16,998,153	\$ 6,731,326	\$ 23,729,479	\$ 666,369
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 613,654	\$ 77,604	\$ 691,258	\$ -
OPEB related items	39,787	5,438	45,225	-
Total Deferred Outflows of Resources	\$ 653,441	\$ 83,042	\$ 736,483	\$ -
Total Assets and Deferred Outflows of Resources	\$ 17,651,594	\$ 6,814,368	\$ 24,465,962	\$ 666,369
LIABILITIES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,208
Accrued payroll and related liabilities	20,431	-	20,431	572
Security deposits	-	-	-	200
Unearned revenue	-	21,446	21,446	16,302
Unearned revenue - grants	1,491,430	-	1,491,430	-
Current portion of long-term obligations	62,698	91,167	153,865	-
Total Current Liabilities	\$ 1,574,559	\$ 112,613	\$ 1,687,172	\$ 18,282
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	\$ 1,508,785	\$ 802,476	\$ 2,311,261	\$ -
Total Liabilities	\$ 3,083,344	\$ 915,089	\$ 3,998,433	\$ 18,282
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 4,402	\$ -	\$ 4,402	\$ -
Pension related items	67,955	18,818	86,773	-
OPEB related items	4,795	682	5,477	-
Total Deferred Inflows of Resources	\$ 77,152	\$ 19,500	\$ 96,652	\$ -
NET POSITION				
Net investment in capital assets	\$ 8,828,453	\$ 4,642,436	\$ 13,470,889	\$ 480,339
Unrestricted	5,662,645	1,237,343	6,899,988	167,748
Total Net Position	\$ 14,491,098	\$ 5,879,779	\$ 20,370,877	\$ 648,087
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 17,651,594	\$ 6,814,368	\$ 24,465,962	\$ 666,369

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

TOWN OF CHINCOTEAGUE, VIRGINIA

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,353,198	\$ 62,980	\$ -	\$ -
Public safety	1,994,578	44,212	149,164	-
Public works	2,381,687	389,120	1,219,782	238,358
Health	103,906	-	-	-
Parks, recreation, and cultural	38,030	-	-	-
Community development	147,165	184	76,379	-
Interest on long-term debt	1,876	-	-	-
Total governmental activities	<u>\$ 6,020,440</u>	<u>\$ 496,496</u>	<u>\$ 1,445,325</u>	<u>\$ 238,358</u>
Business-type activities:				
Water	\$ 1,086,834	\$ 1,053,753	\$ -	\$ -
Curtis Merritt Harbor	453,018	522,497	-	110,067
Total business-type activities	<u>\$ 1,539,852</u>	<u>\$ 1,576,250</u>	<u>\$ -</u>	<u>\$ 110,067</u>
Total primary government	<u>\$ 7,560,292</u>	<u>\$ 2,072,746</u>	<u>\$ 1,445,325</u>	<u>\$ 348,425</u>
COMPONENT UNIT:				
Convention Center	<u>\$ 96,714</u>	<u>\$ 1,600</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 General property taxes
 Local sales and use taxes
 Meals taxes
 Business license taxes
 Occupancy tax
 Consumer utility taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Sale of capital assets
 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	
\$ (1,290,218)	\$ -	\$ (1,290,218)	\$ -	
(1,801,202)	-	(1,801,202)	-	
(534,427)	-	(534,427)	-	
(103,906)	-	(103,906)	-	
(38,030)	-	(38,030)	-	
(70,602)	-	(70,602)	-	
(1,876)	-	(1,876)	-	
<u>\$ (3,840,261)</u>	<u>\$ -</u>	<u>\$ (3,840,261)</u>	<u>\$ -</u>	
\$ -	\$ (33,081)	\$ (33,081)	\$ -	
-	179,546	179,546	-	
<u>\$ -</u>	<u>\$ 146,465</u>	<u>\$ 146,465</u>	<u>\$ -</u>	
\$ (3,840,261)	\$ 146,465	\$ (3,693,796)	\$ -	
\$ -	\$ -	\$ -	\$ (95,114)	
\$ 945,065	\$ -	\$ 945,065	\$ -	
186,006	-	186,006	-	
1,185,397	-	1,185,397	-	
130,819	-	130,819	-	
1,793,490	-	1,793,490	-	
215,622	-	215,622	-	
179,396	-	179,396	-	
29,928	1,063	30,991	66	
345,877	4,640	350,517	411	
239,500	-	239,500	166,626	
8,256	-	8,256	-	
(36,689)	36,689	-	-	
<u>\$ 5,222,667</u>	<u>\$ 42,392</u>	<u>\$ 5,265,059</u>	<u>\$ 167,103</u>	
\$ 1,382,406	\$ 188,857	\$ 1,571,263	\$ 71,989	
13,108,692	5,690,922	18,799,614	576,098	
<u>\$ 14,491,098</u>	<u>\$ 5,879,779</u>	<u>\$ 20,370,877</u>	<u>\$ 648,087</u>	

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Fund Financial Statements

Balance Sheet - Governmental Funds
June 30, 2021

	General	Other Governmental Fund	Total
ASSETS			
Cash and cash equivalents	\$ 7,344,605	\$ 45,583	\$ 7,390,188
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	27,305	-	27,305
Accounts	521,817	-	521,817
Prepaid items	33,713	16,917	50,630
Due from other governmental units	17,146	-	17,146
Total assets	<u>\$ 7,944,586</u>	<u>\$ 62,500</u>	<u>\$ 8,007,086</u>
LIABILITIES			
Accrued liabilities	\$ 20,431	\$ -	\$ 20,431
Unearned revenue - grants	1,491,430	-	1,491,430
Due to water fund	21,050	-	21,050
Total liabilities	<u>\$ 1,532,911</u>	<u>\$ -</u>	<u>\$ 1,532,911</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	\$ 24,591	\$ -	\$ 24,591
Total deferred inflows of resources	<u>\$ 24,591</u>	<u>\$ -</u>	<u>\$ 24,591</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 33,713	\$ 16,917	\$ 50,630
Committed:			
Trolley	\$ -	\$ 62,500	\$ 62,500
Assigned:			
Drainage	\$ 186,608	\$ -	\$ 186,608
Boat ramp repairs	200,259	-	200,259
Land acquisition	93,600	-	93,600
Playground equipment	140,756	-	140,756
Beach - various	994,825	-	994,825
Beach Access	22,000	-	22,000
Retirees	38,127	-	38,127
Mosquito control	184,555	-	184,555
Total assigned fund balance	<u>\$ 1,860,730</u>	<u>\$ -</u>	<u>\$ 1,860,730</u>
Unassigned	\$ 4,492,641	\$ (16,917)	\$ 4,475,724
Total fund balances	<u>\$ 6,387,084</u>	<u>\$ 62,500</u>	<u>\$ 6,449,584</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,944,586</u>	<u>\$ 62,500</u>	<u>\$ 8,007,086</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2021

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

Total fund balances for governmental funds (Exhibit 3)		\$	6,449,584
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	2,664,756	
Construction in progress		425,159	
Land improvements		1,435,939	
Buildings and improvements		807,843	
Infrastructure		2,769,607	
Equipment		908,813	9,012,117
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			20,189
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	613,654	
OPEB related items		39,787	653,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	\$	(1,037,678)	
Net OPEB liability		(160,594)	
Compensated absences		(189,547)	
Capital lease		(183,664)	(1,571,483)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(67,955)	
OPEB related items		(4,795)	(72,750)
Total net position of governmental activities		\$	<u>14,491,098</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, 2021

	General	Other Governmental Fund	Total
Revenues:			
General property taxes	\$ 949,072	\$ -	\$ 949,072
Other local taxes	3,690,730	-	3,690,730
Permits, privilege fees and regulatory licenses	62,980	-	62,980
Fines and forfeitures	32,087	-	32,087
Revenue from use of money and property	29,928	-	29,928
Charges for services	401,245	184	401,429
Miscellaneous	345,877	-	345,877
Intergovernmental:			
Commonwealth	1,092,152	4,633	1,096,785
Federal	759,152	67,246	826,398
Total revenues	<u>\$ 7,363,223</u>	<u>\$ 72,063</u>	<u>\$ 7,435,286</u>
Expenditures:			
Current:			
General government administration	\$ 1,336,082	\$ -	\$ 1,336,082
Public safety	1,990,664	-	1,990,664
Public works	2,962,238	-	2,962,238
Health	103,906	-	103,906
Parks, recreation, and cultural	17,054	-	17,054
Community development	-	78,492	78,492
Debt service:			
Principal retirement	47,836	-	47,836
Interest and other fiscal charges	1,876	-	1,876
Total expenditures	<u>\$ 6,459,656</u>	<u>\$ 78,492</u>	<u>\$ 6,538,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 903,567</u>	<u>\$ (6,429)</u>	<u>\$ 897,138</u>
Other financing sources (uses):			
Transfers (out)	\$ (36,689)	\$ -	\$ (36,689)
Sale of capital assets	10,256	-	10,256
Capital lease proceeds	231,500	-	231,500
Total other financing sources (uses)	<u>\$ 205,067</u>	<u>\$ -</u>	<u>\$ 205,067</u>
Changes in fund balances	\$ 1,108,634	\$ (6,429)	\$ 1,102,205
Fund balances at beginning of year	<u>5,278,450</u>	<u>68,929</u>	<u>5,347,379</u>
Fund balances at end of year	<u>\$ 6,387,084</u>	<u>\$ 62,500</u>	<u>\$ 6,449,584</u>

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, 2021

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 1,102,205
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	\$ 871,425
Depreciation expense	<u>(376,086)</u>
	495,339
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.	(2,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(4,007)
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	\$ 16,200
Change in pension related items	(44,481)
Change in OPEB related items	2,824
Issuance of capital lease	(231,500)
Principal paid on capital lease	<u>47,836</u>
	<u>(209,121)</u>
Change in net position of governmental activities	\$ <u>1,382,416</u>

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

Statement of Net Position - Proprietary Funds
June 30, 2021

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 778,785	\$ 380,316	\$ 1,159,101
Accounts receivable	174,336	-	174,336
Inventory	-	18,560	18,560
Due from general fund	21,050	-	21,050
Total Current Assets	<u>\$ 974,171</u>	<u>\$ 398,876</u>	<u>\$ 1,373,047</u>
Noncurrent Assets			
Capital Assets			
Land	\$ 302,426	\$ -	\$ 302,426
Dock and improvements	-	2,821,067	2,821,067
Infrastructure	8,932,156	-	8,932,156
Equipment	1,306,794	221,621	1,528,415
Accumulated depreciation	(6,535,687)	(1,690,098)	(8,225,785)
Total Capital Assets (net of accumulated depreciation)	<u>\$ 4,005,689</u>	<u>\$ 1,352,590</u>	<u>\$ 5,358,279</u>
Total Assets	<u>\$ 4,979,860</u>	<u>\$ 1,751,466</u>	<u>\$ 6,731,326</u>
Deferred Outflows of Resources			
Pension related items	\$ 60,597	\$ 17,007	\$ 77,604
OPEB related items	4,400	1,038	5,438
Total Deferred Outflows of Resources	<u>\$ 64,997</u>	<u>\$ 18,045</u>	<u>\$ 83,042</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,044,857</u>	<u>\$ 1,769,511</u>	<u>\$ 6,814,368</u>
LIABILITIES			
Current Liabilities			
Current portion of compensated absences	\$ 2,326	\$ 535	\$ 2,861
Current portion of general obligation bonds	88,306	-	88,306
Unearned revenue	19,106	2,340	21,446
Total Current Liabilities	<u>\$ 109,738</u>	<u>\$ 2,875</u>	<u>\$ 112,613</u>
Noncurrent Liabilities			
Compensated absences, net of current portion	\$ 20,856	\$ 4,811	\$ 25,667
Net pension liability	98,759	27,703	126,462
Net OPEB liability	18,663	4,147	22,810
General obligation bonds, net of current portion	627,537	-	627,537
Total Noncurrent Liabilities	<u>\$ 765,815</u>	<u>\$ 36,661</u>	<u>\$ 802,476</u>
Total Liabilities	<u>\$ 875,553</u>	<u>\$ 39,536</u>	<u>\$ 915,089</u>
Deferred Inflows of Resources			
Pension related items	\$ 17,159	\$ 1,659	\$ 18,818
OPEB related items	558	124	682
Total Deferred Inflows of Resources	<u>\$ 17,717</u>	<u>\$ 1,783</u>	<u>\$ 19,500</u>
NET POSITION			
Net investment in capital assets	\$ 3,289,846	\$ 1,352,590	\$ 4,642,436
Unrestricted	<u>861,741</u>	<u>375,602</u>	<u>1,237,343</u>
Total Net Position	<u>\$ 4,151,587</u>	<u>\$ 1,728,192</u>	<u>\$ 5,879,779</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,044,857</u>	<u>\$ 1,769,511</u>	<u>\$ 6,814,368</u>

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

Statement of Revenues, Expenses and Change in Net Position -
 Proprietary Funds
 Year Ended June 30, 2021

	<u>Major Fund</u> <u>Water</u> <u>Fund</u>	<u>Nonmajor Fund</u> <u>Curtis Merritt</u> <u>Harbor Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 972,185	\$ 522,497	\$ 1,494,682
Miscellaneous	4,640	-	4,640
Total operating revenues	<u>\$ 976,825</u>	<u>\$ 522,497</u>	<u>\$ 1,499,322</u>
Operating expenses:			
Salaries	\$ 255,517	\$ 44,496	\$ 300,013
Fringe benefits	68,625	9,740	78,365
Contracted services	4,948	314,688	319,636
Internal service allocation	100,000	-	100,000
Miscellaneous operating expenses	142,296	302	142,598
Repairs and maintenance	44,289	659	44,948
Depreciation	451,121	83,133	534,254
Total operating expenses	<u>\$ 1,066,796</u>	<u>\$ 453,018</u>	<u>\$ 1,519,814</u>
Operating income (loss)	<u>\$ (89,971)</u>	<u>\$ 69,479</u>	<u>\$ (20,492)</u>
Nonoperating revenues (expenses):			
Availability fees	\$ 81,568	\$ -	\$ 81,568
Interest income	776	287	1,063
Interest expense	(20,038)	-	(20,038)
Total nonoperating revenues (expenses)	<u>\$ 62,306</u>	<u>\$ 287</u>	<u>\$ 62,593</u>
Income (loss) before transfers and capital grants	<u>\$ (27,665)</u>	<u>\$ 69,766</u>	<u>\$ 42,101</u>
Transfers:			
Transfers in	\$ -	\$ 36,689	\$ 36,689
Capital grant - Virginia Port Authority grant	\$ -	\$ 110,067	\$ 110,067
Change in net position	\$ (27,665)	\$ 216,522	\$ 188,857
Net position, beginning of year	<u>4,179,252</u>	<u>1,511,670</u>	<u>5,690,922</u>
Net position, end of year	<u>\$ 4,151,587</u>	<u>\$ 1,728,192</u>	<u>\$ 5,879,779</u>

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2021

	Major Fund Water Fund	Nonmajor Fund Curtis Merritt Harbor Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 969,795	\$ 470,282	\$ 1,440,077
Payments to employees (including fringe benefits)	(319,666)	(53,957)	(373,623)
Payments for other operating activities	(307,954)	(347,936)	(655,890)
Net cash provided by (used for) operating activities	<u>\$ 342,175</u>	<u>\$ 68,389</u>	<u>\$ 410,564</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ -	\$ (149,961)	\$ (149,961)
Capital grants	-	110,067	110,067
Proceeds from availability fees	81,568	-	81,568
Interest expense	(20,038)	-	(20,038)
Retirement of general obligation bonds	(249,458)	-	(249,458)
Net cash provided by (used for) capital and related financing activities	<u>\$ (187,928)</u>	<u>\$ (39,894)</u>	<u>\$ (227,822)</u>
Cash flows from noncapital financing activities:			
Transfers in	\$ -	\$ 36,689	\$ 36,689
Cash flows from investing activities:			
Interest income	\$ 776	\$ 287	\$ 1,063
Net cash provided by (used for) investing activities	<u>\$ 776</u>	<u>\$ 287</u>	<u>\$ 1,063</u>
Net increase (decrease) in cash and cash equivalents	\$ 155,023	\$ 65,471	\$ 220,494
Cash and cash equivalents at beginning of year	<u>623,762</u>	<u>314,845</u>	<u>938,607</u>
Cash and cash equivalents at end of year	<u><u>\$ 778,785</u></u>	<u><u>\$ 380,316</u></u>	<u><u>\$ 1,159,101</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (89,971)	\$ 69,479	\$ (20,492)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	451,121	83,133	534,254
Changes in operating assets and liabilities and deferred outflows/inflows of resources			
(Increase) decrease in:			
Accounts receivable	(12,588)	-	(12,588)
Inventory	-	(8,799)	(8,799)
Deferred outflows of resources - pension related	(11,075)	(6,036)	(17,111)
Deferred outflows of resources - OPEB related	(95)	(106)	(201)
Increase (decrease) in:			
Accounts payable	(16,421)	(23,488)	(39,909)
Compensated absences	(221)	207	(14)
Unearned revenue	5,558	(52,215)	(46,657)
Net pension liability	22,754	10,808	33,562
Net OPEB liability	270	209	479
Deferred inflows of resources - pension related	(6,543)	(4,676)	(11,219)
Deferred inflows of resources - OPEB related	(614)	(127)	(741)
Net cash provided by (used for) operating activities	<u><u>\$ 342,175</u></u>	<u><u>\$ 68,389</u></u>	<u><u>\$ 410,564</u></u>

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Financial Statement Presentation

Management's Discussion and Analysis - the financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (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, 2021.

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, 2021. 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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

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

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

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

1. Governmental Funds: (Continued)

b. Special Revenue Funds

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

2. Proprietary Funds

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

Enterprise Funds

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

The Town reports the following major enterprise fund:

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

The Town reports the following nonmajor enterprise fund:

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

D. Budgets and Budgetary Accounting

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

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

For the fiscal year ended June 30, 2021, appropriations exceeded expenditures in the Trolley Fund by \$183,639.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Prepaid Items

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

H. Receivables and Payables

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

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

H. Receivables and Payables: (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$5,418 at June 30, 2021 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 \$104,714.

J. Inventory

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

K. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, 2021 there was no interest capitalized.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

K. Capital Assets (Continued)

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

<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.

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

N. Use of Estimates

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

O. Fund Balance

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

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

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

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

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

P. Net Position

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

Q. Net Position Flow Assumption

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (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' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Upcoming Pronouncements

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 June 15, 2021.

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, 2021.

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

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

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

U. Upcoming Pronouncements: (Continued)

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

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

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

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

The Town’s rated debt investments as of June 30, 2021 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Rated Debt Investments' Values	
	Rating
	AAAm
Local Government Investment Pool	\$ 3,969,699

Summarized by maturity below for interest rate risk disclosure:

Investment Maturity (in years)		
Investment Type	Value	Less Than 1 Year
Local Government Investment Pool	\$ 3,969,699	\$ 3,969,699

External Investment Pools

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

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

The Town had receivables due from other governmental units at June 30, 2021 as follows:

	General Fund
Commonwealth of Virginia:	
Communication taxes	\$ 10,226
Mobile home sales tax	3,601
Auto rental tax	619
Federal Government:	
VDOT - Highway planning and construction	2,700
Total	\$ 17,146

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of capital asset activity for the year ended June 30, 2021 is as follows:

Governmental Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 2,664,756	\$ -	\$ -	\$ 2,664,756
Construction in progress	1,189,999	569,838	1,334,678	425,159
	<u>3,854,755</u>	<u>569,838</u>	<u>1,334,678</u>	<u>3,089,915</u>
Total capital assets not being depreciated	\$ 3,854,755	\$ 569,838	\$ 1,334,678	\$ 3,089,915
Capital assets being depreciated:				
Buildings and improvements	\$ 3,670,130	\$ -	\$ -	\$ 3,670,130
Land improvements	300,944	1,334,678	-	1,635,622
Infrastructure	3,654,113	-	-	3,654,113
Equipment	3,217,274	301,587	183,935	3,334,926
	<u>10,842,461</u>	<u>1,636,265</u>	<u>183,935</u>	<u>12,294,791</u>
Total capital assets being depreciated	\$ 10,842,461	\$ 1,636,265	\$ 183,935	\$ 12,294,791
Accumulated depreciation:				
Buildings and improvements	\$ 2,799,238	\$ 63,049	\$ -	\$ 2,862,287
Land improvements	189,622	10,061	-	199,683
Infrastructure	764,916	119,590	-	884,506
Equipment	2,424,662	183,386	181,935	2,426,113
	<u>6,178,438</u>	<u>376,086</u>	<u>181,935</u>	<u>6,372,589</u>
Total accumulated depreciation	\$ 6,178,438	\$ 376,086	\$ 181,935	\$ 6,372,589
Total capital assets being depreciated, net	\$ 4,664,023	\$ 1,260,179	\$ 2,000	\$ 5,922,202
Net capital assets	\$ 8,518,778	\$ 1,830,017	\$ 1,336,678	\$ 9,012,117

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 302,426	\$ -	\$ -	\$ 302,426
Total capital assets not being depreciated	\$ 302,426	\$ -	\$ -	\$ 302,426
Capital assets being depreciated:				
Infrastructure	\$ 8,932,156	\$ -	\$ -	\$ 8,932,156
Equipment	1,306,794	-	-	1,306,794
Total capital assets being depreciated	\$ 10,238,950	\$ -	\$ -	\$ 10,238,950
Accumulated depreciation:				
Infrastructure	\$ 5,861,756	\$ 362,158	\$ -	\$ 6,223,914
Equipment	222,808	88,965	-	311,773
Total accumulated depreciation	\$ 6,084,564	\$ 451,123	\$ -	\$ 6,535,687
Net capital assets	\$ 4,456,812	\$ (451,123)	\$ -	\$ 4,005,689
Curtis Merritt Harbor:				
Capital assets being depreciated:				
Dock and improvements	\$ 2,671,106	\$ 149,961	\$ -	\$ 2,821,067
Equipment	221,621	-	-	221,621
Total capital assets being depreciated	\$ 2,892,727	\$ 149,961	\$ -	\$ 3,042,688
Accumulated depreciation:				
Dock and improvements	\$ 1,516,220	\$ 73,860	\$ -	\$ 1,590,080
Equipment	90,745	9,273	-	100,018
Total accumulated depreciation	\$ 1,606,965	\$ 83,133	\$ -	\$ 1,690,098
Net capital assets	\$ 1,285,762	\$ 66,828	\$ -	\$ 1,352,590

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 25,766
Public safety	43,177
Public works	217,494
Parks, recreation and cultural	20,976
Community development	68,673
Total governmental activities	<u>\$ 376,086</u>
Business-type activities:	
Water fund	\$ 451,123
Curtis Merritt Harbor	83,133
Total business-type activities	<u>\$ 534,256</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, 2021:

	Balance July 1, 2020	Issuances / Additions	Retirements / Deletions	Balance June 30, 2021	Due Within One Year
Governmental activities					
Net pension liability	\$ 653,721	\$ 807,329	\$ 423,372	\$ 1,037,678	\$ -
Net OPEB liability	155,041	46,912	41,359	160,594	-
Compensated absences	205,747	102,874	119,074	189,547	18,955
Capital lease	-	231,500	47,836	183,664	43,743
Total governmental activities	<u>\$ 1,014,509</u>	<u>\$ 1,188,615</u>	<u>\$ 631,641</u>	<u>\$ 1,571,483</u>	<u>\$ 62,698</u>
Business-type activities					
Direct borrowings and placements:					
General obligation bonds	\$ 965,301	\$ -	\$ 249,458	\$ 715,843	\$ 88,306
Net pension liability	92,900	97,826	64,264	126,462	-
Net OPEB liability	22,331	6,701	6,222	22,810	-
Compensated absences	28,542	14,271	14,285	28,528	2,861
Total Business-type activities	<u>\$ 1,109,074</u>	<u>\$ 118,798</u>	<u>\$ 334,229</u>	<u>\$ 893,643</u>	<u>\$ 91,167</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Capital Lease		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	43,743	5,969	\$ 88,306	\$ 14,724
2023	45,164	4,547	90,081	12,950
2024	46,632	3,080	91,891	11,139
2025	48,125	1,564	93,738	9,292
2026	-	-	95,622	7,408
2027	-	-	97,544	5,485
2028	-	-	99,505	3,525
2029	-	-	59,156	1,525
Total	\$ 183,664	\$ 15,160	\$ 715,843	\$ 66,048

Details of Long-term Obligations:

	Total Outstanding
Governmental Activities:	
Net pension liability	\$ 1,037,678
Net OPEB liability	160,594
Compensated absences	189,547
Capital lease	183,664
Total governmental activities	\$ 1,571,483
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%.	\$ 715,843
Total direct borrowings and placements	\$ 715,843
Net pension liability	126,462
Net OPEB liability	22,810
Compensated absences	28,528
Total business-type activities	\$ 893,643

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	231,500
Less: Accumulated depreciation		<u>(16,536)</u>
Total	\$	<u><u>214,964</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Year Ending June 30</u>		
2022	\$	49,712
2023		49,712
2024		49,712
2025		<u>49,688</u>
Total minimum lease payments		198,824
Less: amount representing interest		(15,160)
Present value of minimum lease payments	\$	<u><u>183,664</u></u>

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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 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	18
Inactive members:	
Vested inactive members	5
Non-vested inactive members	9
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	31
Active members	<u>44</u>
Total covered employees	<u><u>93</u></u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (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, 2021 was 11.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$249,769 and \$200,152 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 8,938,845	\$ 8,192,224	\$ 746,621
Changes for the year:			
Service cost	\$ 291,930	\$ -	\$ 291,930
Interest	595,185	-	595,185
Differences between expected and actual experience	(5,759)	-	(5,759)
Contributions - employer	-	200,818	(200,818)
Contributions - employee	-	111,035	(111,035)
Net investment income	-	157,357	(157,357)
Benefit payments, including refunds	(242,588)	(242,588)	-
Administrative expenses	-	(5,183)	5,183
Other changes	-	(190)	190
Net changes	\$ 638,768	\$ 221,249	\$ 417,519
Balances at June 30, 2020	\$ 9,577,613	\$ 8,413,473	\$ 1,164,140

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

	Rate		
	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current Discount</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
Town's Net Pension Liability	\$ 2,415,022	\$ 1,164,140	\$ 126,321

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

For the year ended June 30, 2021, the Town recognized pension expense of \$300,149. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 48,377	\$ 70,417
Change in assumptions	131,327	6,856
Net difference between projected and actual earnings on pension plan investments	252,285	-
Change in proportionate share	9,500	9,500
Employer contributions subsequent to the measurement date	<u>249,769</u>	<u>-</u>
Total	<u>\$ 691,258</u>	<u>\$ 86,773</u>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 6—PENSION PLAN: (CONTINUED)

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

\$249,769 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2022	\$ 37,647
2023	155,759
2024	81,757
2025	79,554
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$12,060 and \$11,759 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the entity reported a liability of \$183,404 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.0110% as compared to 0.0109% at June 30, 2019.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

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

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$8,814. 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,764	\$ 1,647
Net difference between projected and actual earnings on GLI OPEB program investments	5,509	-
Change in assumptions	9,172	3,830
Changes in proportionate share	6,720	-
Employer contributions subsequent to the measurement date	<u>12,060</u>	<u>-</u>
Total	<u>\$ 45,225</u>	<u>\$ 5,477</u>

\$12,060 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, 2022. 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>
2022	\$ 4,583
2023	6,139
2024	7,559
2025	7,274
2026	1,980
Thereafter	151

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

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, 2021 (Continued)

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Program
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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, 2021 (Continued)

NOTE 7—GROUP LIFE INSURANCE (GLI) PLAN (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2020, 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

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 (Continued)

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

Discount Rate: (Continued)

Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 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.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 241,100	\$ 183,405	\$ 136,551

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 8—UNAVAILABLE/DEFERRED/UNEARNED REVENUE: (CONTINUED)

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2021:

Description	Governmental Funds		Deferred Governmental Activities	Unearned Proprietary Funds
	Unavailable	Unearned		
	General Fund	General Fund		
Harbor rents paid in advance	\$ -	\$ -	\$ -	\$ 2,340
Water bills paid in advance	-	-	-	19,106
Prepaid property taxes	4,402	-	4,402	-
Local delinquent real and personal property taxes	20,189	-	-	-
ARPA grant	-	1,491,430	-	-
Total	\$ 24,591	\$ 1,491,430	\$ 4,402	\$ 21,446

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, 2021, 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 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 \$218,075 at June 30, 2021.

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

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.

NOTE 14—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 36,689
Curtis Merrit Harbor Fund	36,689	-
Total	<u>\$ 36,689</u>	<u>\$ 36,689</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>

TOWN OF CHINCOTEAGUE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 (Continued)

NOTE 16—COVID-19 PANDEMIC SUBSEQUENT EVENT:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town of Chincoteague, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the covid-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF funding of \$503,922. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. CRF funds had been fully expended as of June 30.

ARPA Funding

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

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,491,430 from the initial allocation are reported as unearned revenue as of June 30.

Required Supplementary Information

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Schedule of Revenues, Expenditures and Change in Fund Balance -
 Budget and Actual - General Fund
 Year Ended June 30, 2021

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 865,000	\$ 939,000	\$ 949,072	\$ 10,072
Other local taxes	3,078,000	3,181,000	3,690,730	509,730
Permits, privilege fees and regulatory licenses	42,050	42,050	62,980	20,930
Fines and forfeitures	50,000	50,000	32,087	(17,913)
Revenue from use of money and property	101,348	101,348	29,928	(71,420)
Charges for services	398,780	398,780	401,245	2,465
Miscellaneous	194,000	194,000	345,877	151,877
Intergovernmental:				
Commonwealth	1,096,686	1,096,686	1,092,152	(4,534)
Federal	444,426	948,348	759,152	(189,196)
Total revenues	\$ 6,270,290	\$ 6,951,212	\$ 7,363,223	\$ 412,011
Expenditures:				
General government administration	\$ 1,414,859	\$ 1,425,168	\$ 1,336,082	\$ 89,086
Public safety	2,338,615	2,336,365	1,990,664	345,701
Public works	2,385,266	2,633,885	2,962,238	(328,353)
Health	123,318	123,818	103,906	19,912
Parks, recreation and cultural	40,000	40,000	17,054	22,946
Debt service:				
Principal retirement	-	-	47,836	(47,836)
Interest and fiscal charges	-	-	1,876	(1,876)
Total expenditures	\$ 6,302,058	\$ 6,559,236	\$ 6,459,656	\$ 99,580
Excess (deficiency) of revenues over (under) expenditures	\$ (31,768)	\$ 391,976	\$ 903,567	\$ 511,591
Other financing sources (uses):				
Transfers (out)	\$ (25,685)	\$ (25,685)	\$ (36,689)	\$ (11,004)
Sale of capital assets	5,000	5,000	10,256	5,256
Capital lease proceeds	-	-	231,500	231,500
Total other financing sources (uses)	\$ (20,685)	\$ (20,685)	\$ 205,067	\$ 225,752
Changes in fund balance	\$ (52,453)	\$ 371,291	\$ 1,108,634	\$ 737,343
Fund balance at beginning of year	52,453	(371,291)	5,278,450	5,649,741
Fund balance at end of year	\$ -	\$ -	\$ 6,387,084	\$ 6,387,084

TOWN OF CHINCOTEAGUE, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2020

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

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

Exhibit 11

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

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2012 through June 30, 2021

<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>
2021	\$ 249,769	\$ 249,769	\$ -	\$ 2,233,273	11.18%
2020	200,152	200,152	-	2,261,343	8.85%
2019	190,256	190,256	-	2,136,639	8.90%
2018	209,466	209,466	-	2,008,445	10.43%
2017	199,633	199,633	-	1,897,651	10.52%
2016	205,974	205,974	-	1,855,619	11.10%
2015	209,869	209,869	-	1,890,715	11.10%
2014	224,877	224,877	-	1,861,570	12.08%
2013	218,028	218,028	-	1,804,868	12.08%
2012	155,085	155,085	-	1,642,845	9.44%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

<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:					
2020	0.0110%	\$ 183,405	\$ 2,261,343	8.11%	52.64%
2019	0.0109%	177,372	2,136,639	8.30%	52.00%
2018	0.0106%	161,000	2,008,445	8.02%	51.22%
2017	0.0103%	155,000	1,897,651	8.17%	48.86%

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 Plan
 For the Years Ended June 30, 2013 through June 30, 2021

<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					
2021	\$ 12,060	\$ 12,060	\$ -	\$ 2,233,273	0.54%
2020	11,759	11,759	-	2,261,343	0.52%
2019	11,111	11,111	-	2,136,639	0.52%
2018	10,444	10,444	-	2,008,445	0.52%
2017	9,868	9,868	-	1,897,651	0.52%
2016	8,907	8,907	-	1,855,619	0.48%
2015	9,075	9,075	-	1,890,715	0.48%
2014	8,936	8,936	-	1,861,570	0.48%
2013	8,663	8,663	-	1,804,868	0.48%

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 Plan
 For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

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Balance Sheet - Nonmajor Governmental Funds
 June 30, 2021

	<u>Trolley Fund</u>
ASSETS	
Cash and cash equivalents	\$ 45,583
Prepaid items	<u>16,917</u>
Total assets	<u>\$ 62,500</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 16,917
Committed:	
Trolley	62,500
Unassigned	<u>\$ (16,917)</u>
Total fund balances	<u>\$ 62,500</u>
Total liabilities and fund balances	<u>\$ 62,500</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2021

	<u>Trolley Fund</u>
Revenues:	
Charges for services	\$ 184
Intergovernmental:	
Commonwealth	4,633
Federal	<u>67,246</u>
Total revenues	<u>\$ 72,063</u>
Expenditures:	
Current:	
Community development	<u>\$ 78,492</u>
Total expenditures	<u>\$ 78,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,429)</u>
Changes in fund balances	\$ (6,429)
Fund balances at beginning of year	<u>68,929</u>
Fund balances at end of year	<u><u>\$ 62,500</u></u>

Supporting Schedules

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Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 632,000	\$ 670,000	\$ 667,646	\$ (2,354)
Personal property taxes	215,000	223,000	232,351	9,351
Interest and penalties	18,000	46,000	49,075	3,075
Total general property taxes	<u>\$ 865,000</u>	<u>\$ 939,000</u>	<u>\$ 949,072</u>	<u>\$ 10,072</u>
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 186,006	\$ 26,006
Consumers' utility taxes	226,000	226,000	215,622	(10,378)
Business license taxes	130,000	130,000	130,819	819
Motor vehicle licenses	80,000	83,000	86,607	3,607
Bank franchise tax	92,000	92,000	92,789	789
Transient occupancy tax	1,290,000	1,450,000	1,793,490	343,490
Meals taxes	1,100,000	1,040,000	1,185,397	145,397
Total other local taxes	<u>\$ 3,078,000</u>	<u>\$ 3,181,000</u>	<u>\$ 3,690,730</u>	<u>\$ 509,730</u>
Permits, privilege fees and regulatory licenses:				
Road permit fees	\$ 300	\$ 300	\$ 320	\$ 20
Zoning advertisements	750	750	1,150	400
Permits and other licenses	41,000	41,000	61,510	20,510
Total permits, privilege fees and regulatory licenses	<u>\$ 42,050</u>	<u>\$ 42,050</u>	<u>\$ 62,980</u>	<u>\$ 20,930</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50,000	\$ 50,000	\$ 32,087	\$ (17,913)
Revenue from use of money and property:				
Revenue from use of money	\$ 80,000	\$ 80,000	\$ 8,580	\$ (71,420)
Revenue from use of property	21,348	21,348	21,348	-
Total revenue from use of money and property	<u>\$ 101,348</u>	<u>\$ 101,348</u>	<u>\$ 29,928</u>	<u>\$ (71,420)</u>
Charges for services:				
911 dispatch for Assateague	\$ 12,150	\$ 12,150	\$ 12,125	\$ (25)
Solid waste collection fees	386,630	386,630	389,120	2,490
Total charges for services	<u>\$ 398,780</u>	<u>\$ 398,780</u>	<u>\$ 401,245</u>	<u>\$ 2,465</u>
Miscellaneous:				
Tipping fee - county	-	-	-	-
Police donations	\$ 30,000	\$ 30,000	\$ 15,351	\$ (14,649)
Police miscellaneous	5,000	5,000	1,716	(3,284)
Cemetery cleanup donation	200	200	300	100
Brianna's Kindness Park donation	-	-	122,515	122,515
User fees	28,600	28,600	37,036	8,436
Health insurance - retirees	15,000	15,000	19,167	4,167
Recovered costs from water fund	100,000	100,000	100,000	-
Miscellaneous	15,200	15,200	49,792	34,592
Total miscellaneous	<u>\$ 194,000</u>	<u>\$ 194,000</u>	<u>\$ 345,877</u>	<u>\$ 151,877</u>
Total revenue from local sources	<u>\$ 4,729,178</u>	<u>\$ 4,906,178</u>	<u>\$ 5,511,919</u>	<u>\$ 605,741</u>

Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home sales tax	\$ 7,000	\$ 7,000	\$ 6,412	\$ (588)
Auto rental tax	22,000	22,000	10,442	(11,558)
Personal property tax reimbursement	129,246	129,246	129,246	-
Communication taxes	107,000	107,000	87,028	(19,972)
Total noncategorical aid	<u>\$ 265,246</u>	<u>\$ 265,246</u>	<u>\$ 233,128</u>	<u>\$ (32,118)</u>
Categorical aid:				
Law enforcement grants	\$ 116,940	\$ 116,940	\$ 123,664	\$ 6,724
Fire department grant	10,000	10,000	15,000	5,000
Street and highway maintenance	700,000	700,000	715,860	15,860
VA commission for the arts grant	4,500	4,500	4,500	-
Total categorical aid	<u>\$ 831,440</u>	<u>\$ 831,440</u>	<u>\$ 859,024</u>	<u>\$ 27,584</u>
Total revenue from the Commonwealth	<u>\$ 1,096,686</u>	<u>\$ 1,096,686</u>	<u>\$ 1,092,152</u>	<u>\$ (4,534)</u>
Revenue from the Federal Government:				
Noncategorical aid:				
Payment in lieu of taxes	\$ 7,800	\$ 7,800	\$ 6,372	\$ (1,428)
Categorical aid:				
Police grants	\$ 11,626	\$ 11,626	\$ 10,500	\$ (1,126)
USFWS grant	425,000	425,000	238,358	(186,642)
CARES Act grant	-	503,922	503,922	-
Total categorical aid	<u>\$ 436,626</u>	<u>\$ 940,548</u>	<u>\$ 752,780</u>	<u>\$ (187,768)</u>
Total revenue from the federal government	<u>\$ 444,426</u>	<u>\$ 948,348</u>	<u>\$ 759,152</u>	<u>\$ (189,196)</u>
Revenue from Other Financing Sources:				
Sale of capital assets	\$ 5,000	\$ 5,000	\$ 10,256	\$ 5,256
Capital lease proceeds	-	-	231,500	231,500
Total revenue from other financing sources	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 241,756</u>	<u>\$ 236,756</u>
Total General Fund	<u><u>\$ 6,275,290</u></u>	<u><u>\$ 6,956,212</u></u>	<u><u>\$ 7,604,979</u></u>	<u><u>\$ 648,767</u></u>
Special Revenue Funds:				
Trolley Fund:				
Revenue from local sources:				
Charges for services:				
Charges for transportation	\$ 8,000	\$ 8,000	\$ 184	\$ (7,816)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Trolley demo grant	\$ -	\$ -	\$ 4,633	\$ 4,633
Revenue from the Federal Government:				
Categorical aid:				
Trolley demo grant	\$ 59,327	\$ 59,327	\$ 67,246	\$ 7,919
Total Trolley Fund	<u><u>\$ 67,327</u></u>	<u><u>\$ 67,327</u></u>	<u><u>\$ 72,063</u></u>	<u><u>\$ 4,736</u></u>
Total Special Revenue Funds	<u><u>\$ 67,327</u></u>	<u><u>\$ 67,327</u></u>	<u><u>\$ 72,063</u></u>	<u><u>\$ 4,736</u></u>
Total Primary Government	<u><u>\$ 6,342,617</u></u>	<u><u>\$ 7,023,539</u></u>	<u><u>\$ 7,677,042</u></u>	<u><u>\$ 653,503</u></u>

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Mayor	\$ 4,800	\$ 4,800	\$ 4,912	\$ (112)
Town Council	23,040	23,040	22,828	212
Total legislative	\$ 27,840	\$ 27,840	\$ 27,740	\$ 100
General and financial administration:				
Town office staff	\$ 435,729	\$ 435,729	\$ 436,101	\$ (372)
Overtime	2,700	2,700	-	2,700
Social security	33,540	33,540	33,702	(162)
Hospitalization	55,243	55,243	48,149	7,094
Unemployment	2,000	2,000	1,659	341
Retirement	38,793	38,793	45,161	(6,368)
VRS life insurance	2,968	2,968	2,145	823
Bank charges	8,500	17,000	19,548	(2,548)
Building administration expenses	100	100	100	-
Cleaning	16,000	16,000	15,846	154
Planning commission	100	100	-	100
Board of zoning appeals	50	50	-	50
Building permit surcharge	1,000	1,000	684	316
Board of building code appeal	50	50	-	50
Insurance	150,000	145,534	163,943	(18,409)
Auditing	25,000	25,000	22,600	2,400
Donations	14,350	35,125	60,125	(25,000)
Transfer to civic center	110,000	110,000	100,826	9,174
Tourism - 10% meals tax	110,000	110,000	98,951	11,049
ANPDC membership	7,000	7,000	7,000	-
Scholarship	2,000	2,000	2,000	-
Office supplies and publications	10,000	10,000	10,407	(407)
Office equipment and software maintenance	60,000	60,000	46,596	13,404
Postage	12,000	12,000	9,570	2,430
Tax bills and conversion	2,400	2,400	2,250	150
Gasoline and diesel	1,200	1,200	736	464
Vehicle maintenance	500	1,000	1,201	(201)
Travel and training	1,200	1,200	50	1,150
Mayor expense	300	300	-	300
Council's expense	1,000	1,000	1,084	(84)
Town manager's expense	500	500	500	-
Attorney/consultant	35,000	10,000	8,515	1,485
Drug and alcohol testing	2,000	2,000	610	1,390
Christmas dinner	2,500	2,500	404	2,096
Dues	2,000	2,000	2,603	(603)
Advertising and website	12,000	12,000	1,649	10,351
Building maintenance	12,000	12,000	1,728	10,272
Electricity	14,000	14,000	8,067	5,933
Heating oil and gas	5,800	5,800	5,569	231
Special projects	4,000	27,000	27,031	(31)

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
General and financial administration: (Continued)				
Pony penning	\$ 13,000	\$ -	\$ -	-
Deer de-pop program	300	300	367	(67)
Telephone bills	29,500	29,500	27,346	2,154
Health insurance - retirees	59,300	59,300	68,690	(9,390)
Retiree prescription drug assistance	3,500	3,500	2,451	1,049
Miscellaneous	4,000	4,000	7,811	(3,811)
911 Addressing	500	500	460	40
Cemetery cleanup donation	200	200	107	93
VA commission for the arts	9,000	9,000	9,000	-
Property acquisition reserve	26,000	26,000	-	26,000
Office equipment	8,000	8,000	5,000	3,000
Council room equipment/furniture	10,000	10,000	-	10,000
New boiler - municipal building	10,000	10,000	-	10,000
Rehab town office restrooms	20,196	20,196	-	20,196
Total general and financial administration	\$ 1,387,019	\$ 1,397,328	\$ 1,308,342	\$ 88,986
Total general government administration	\$ 1,414,859	\$ 1,425,168	\$ 1,336,082	\$ 89,086
Public safety:				
Law enforcement and traffic control:				
Salaries for officers	\$ 597,867	\$ 597,867	\$ 518,358	\$ 79,509
Overtime	9,800	9,800	4,460	5,340
Social security	46,487	46,487	38,727	7,760
Hospitalization	93,702	93,702	79,628	14,074
Retirement	50,942	50,942	54,729	(3,787)
VRS life insurance	3,856	3,856	2,599	1,257
Gasoline	17,500	17,500	15,616	1,884
Travel and training	7,500	7,500	6,768	732
Uniform allowance (Officer's)	8,100	8,100	3,800	4,300
Uniforms (Town)	3,000	3,000	2,340	660
Office supplies and equipment maintenance	5,300	5,300	3,898	1,402
Equipment repairs and supplies	7,500	7,500	6,776	724
Vehicle maintenance	6,000	6,000	7,199	(1,199)
Drug enforcement	5,000	5,000	4,995	5
Academy dues	7,000	7,229	7,404	(175)
Bicycle patrol	500	500	500	-
Community/youth programs	30,000	30,000	19,531	10,469
Grant funded expenditures	7,800	7,800	7,800	-
Ammunition	1,500	1,500	1,373	127
Cell phone allowance	3,000	3,000	2,950	50
Police Accreditation	1,900	1,900	-	1,900
Sundry	1,500	1,500	1,654	(154)
Patrol vehicle	45,000	45,000	-	45,000
Kevlar vests	1,500	1,500	-	1,500

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Radio repeater	\$ 10,000	\$ 10,000	\$ 2,013	\$ 7,987
Fingerprint scanner	5,500	5,500	-	5,500
Computers and software	2,000	5,600	5,600	-
Software maintenance - cameras	5,000	6,455	6,455	-
LSV (for use by seasonal and SRO)	12,500	12,500	-	12,500
Stancil recorder	12,000	12,000	-	12,000
Camera system - interrogation room	5,400	5,400	5,400	-
Other capital improvements	11,300	11,300	-	11,300
Total law enforcement and traffic control	\$ 1,025,954	\$ 1,031,238	\$ 810,573	\$ 220,665
Police Dispatch:				
Salaries for officers	\$ 183,405	\$ 183,405	\$ 194,903	\$ (11,498)
Overtime	2,700	2,700	1,742	958
Social security	14,842	14,842	17,409	(2,567)
Hospitalization	32,592	32,592	31,481	1,111
Retirement	12,637	12,637	15,556	(2,919)
VRS life insurance	957	957	739	218
Travel and training	1,500	1,500	555	945
Uniform allowance	1,200	1,200	1,719	(519)
Uniform (Town for dispatch)	650	650	313	337
Office supplies/equipment maintenance	14,500	14,500	17,454	(2,954)
Sundry	150	150	98	52
Total police dispatch	\$ 265,133	\$ 265,133	\$ 281,969	\$ (16,836)
Emergency Medical Services:				
Salaries	\$ 684,464	\$ 684,464	\$ 595,094	\$ 89,370
CARES Act hazard duty	-	36,763	36,763	-
Overtime	93,991	93,991	61,259	32,732
Social security	65,841	65,841	48,049	17,792
Hospitalization	97,776	53,479	58,950	(5,471)
Retirement	52,198	52,198	49,633	2,565
VRS life insurance	4,458	4,458	2,357	2,101
Staff allowances	6,800	6,800	6,437	363
CVFC donation	21,000	21,000	16,061	4,939
VA Fire Programs/CVFC	10,000	10,000	15,000	(5,000)
Office supplies/equipment maintenance	1,500	1,500	404	1,096
Travel and training	1,500	1,500	175	1,325
Dues	500	500	240	260
EOC operations/training	3,000	3,000	2,720	280
VOLSAP	4,500	4,500	4,980	(480)
Total emergency medical services	\$ 1,047,528	\$ 1,039,994	\$ 898,122	\$ 141,872
Total public safety	\$ 2,338,615	\$ 2,336,365	\$ 1,990,664	\$ 345,701

Governmental Funds
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works:				
Administrative:				
Salaries	\$ 327,276	\$ 327,276	\$ 383,455	\$ (56,179)
Overtime	5,000	5,000	1,242	3,758
Social security	25,427	25,427	26,738	(1,311)
Hospitalization	60,446	60,446	70,062	(9,616)
Retirement	22,337	32,660	43,903	(11,243)
VRS life insurance	2,230	2,230	2,077	153
Seasonal décor and banners	2,000	2,000	3,581	(1,581)
Office supplies	400	400	418	(18)
Street maintenance	2,000	2,000	1,403	597
Street signs/911	150	150	-	150
Street lights	23,000	23,000	19,602	3,398
Gasoline and diesel	20,000	20,000	15,956	4,044
Oil/grease	1,100	1,100	1,123	(23)
Tools/shop	2,500	2,500	914	1,586
Travel and training	500	500	-	500
Clothing and uniforms	5,000	5,000	3,476	1,524
Building maintenance	3,600	3,600	2,887	713
Equipment repairs	18,000	18,000	12,572	5,428
Safety	500	500	451	49
Vehicle maintenance	300	300	271	29
Tires	2,000	2,000	580	1,420
Garage supplies	3,000	3,000	4,601	(1,601)
Vehicle repairs	6,000	6,000	1,810	4,190
Electricity	13,000	13,000	9,848	3,152
LP gas	1,500	1,500	1,243	257
Tipping fees	1,000	1,000	107	893
Sanitation service contracts	415,000	415,000	411,864	3,136
Miscellaneous	1,500	1,500	507	993
Vandalism	500	500	-	500
CARES Act assistance	-	464,838	464,838	-
Vehicle	32,000	32,000	-	32,000
Playground equipment	75,000	75,000	12,000	63,000
DJ Amrien Center repairs	15,000	15,000	-	15,000
Bridge Tender House restoration	5,000	5,000	-	5,000
Pedestrian trail project	425,000	238,358	193,479	44,879
Public works fuel pump replacement	13,000	13,000	-	13,000
Spin balancer - garage	5,000	5,000	2,589	2,411
Septic system - chamber parcel	20,000	20,000	-	20,000
Smith Street Park project	75,000	90,100	364,359	(274,259)
Paving	55,000	-	-	-
Total administrative	\$ 1,685,266	\$ 1,933,885	\$ 2,057,956	\$ (124,071)

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Roads department:				
Salaries	\$ 114,299	\$ 114,299	\$ 105,983	\$ 8,316
Overtime	2,500	2,500	54	2,446
Social security	8,935	8,935	7,945	990
Hospitalization	18,364	18,364	16,975	1,389
Retirement	3,494	3,494	15,658	(12,164)
VRS life insurance	779	779	744	35
Snow removal	22,879	22,879	-	22,879
Pavement maintenance	400,000	400,000	304,362	95,638
Sidewalks and gutters	5,000	5,000	149,817	(144,817)
Roadside structures	750	750	-	750
Drainage maintenance	5,000	5,000	12,293	(7,293)
Traffic control operations	3,000	3,000	2,921	79
Traffic control devices	5,000	5,000	1,765	3,235
Vehicles/equipment	50,000	50,000	231,500	(181,500)
Electricity	60,000	60,000	54,265	5,735
Total roads department	\$ 700,000	\$ 700,000	\$ 904,282	\$ (204,282)
Total public works	\$ 2,385,266	\$ 2,633,885	\$ 2,962,238	\$ (328,353)
Health:				
Mosquito control:				
Salaries	\$ 36,341	\$ 36,341	\$ 29,402	\$ 6,939
Overtime	350	350	1,222	(872)
Social security	2,807	2,807	2,338	469
Insurance	6,500	7,000	7,000	-
Office supplies	20	20	41	(21)
Chemicals	50,000	50,000	44,561	5,439
Gasoline	4,000	4,000	2,700	1,300
Tools and small equipment	500	500	16	484
Contract spraying	20,800	20,800	16,320	4,480
Travel	100	100	-	100
Equipment repairs and maintenance	500	500	58	442
Vehicle maintenance	1,300	1,300	248	1,052
Sundry	100	100	-	100
Total health	\$ 123,318	\$ 123,818	\$ 103,906	\$ 19,912
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation - various expenditures	\$ 40,000	\$ 40,000	\$ 17,054	\$ 22,946
Total parks, recreation and cultural	\$ 40,000	\$ 40,000	\$ 17,054	\$ 22,946
Debt service:				
Principal retirement	\$ -	\$ -	\$ 47,836	\$ (47,836)
Interest and fiscal charges	-	-	1,876	(1,876)
Total debt service	\$ -	\$ -	\$ 49,712	\$ (49,712)
Total General Fund	\$ 6,302,058	\$ 6,559,236	\$ 6,459,656	\$ 99,580

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Trolley Fund:				
Community Development:				
Salaries	\$ 44,760	\$ 44,760	\$ 32,096	\$ 12,664
Social security	3,424	3,424	2,449	975
Insurance	3,400	3,400	-	3,400
Advertising	1,175	1,175	1,159	16
Printing and reproduction	2,700	2,700	4,921	(2,221)
Fuel	7,000	7,000	3,150	3,850
Communication services	800	800	300	500
Cleaning supplies	100	100	81	19
Equipment repairs and maintenance	6,500	13,272	16,578	(3,306)
Supplies and materials	500	500	1,417	(917)
Tires and tubes	600	600	-	600
Parts	750	750	-	750
Drug and alcohol testing	1,200	1,200	649	551
Education and training	1,200	1,200	567	633
Rent expense	15,000	15,000	15,000	-
Membership dues	250	250	125	125
Travel	1,000	1,000	-	1,000
Trolley purchase	-	165,000	-	165,000
Total Trolley Fund	\$ 90,359	\$ 262,131	\$ 78,492	\$ 183,639
Total Special Revenue Fund	\$ 90,359	\$ 262,131	\$ 78,492	\$ 183,639
Total Primary Government	\$ 6,392,417	\$ 6,821,367	\$ 6,538,148	\$ 283,219

Statistical Tables

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health</u>	<u>Parks Recreation and Cultural</u>
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	1,278,819	1,727,219	1,899,527	146,469	80,085
2019-20	1,284,077	1,895,028	1,851,070	121,510	47,467
2020-21	1,353,196	1,994,573	2,381,684	103,906	38,030

Table 1

<u>Community Development</u>	<u>Interest on Debt</u>	<u>Water</u>	<u>Curtis Merritt Harbor</u>	<u>Total</u>
\$ 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
152,364	-	1,515,899	431,427	7,298,842
147,165	1,876	1,086,841	453,021	7,560,292

TOWN OF CHINCOTEAGUE, VIRGINIA

Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2011-12	\$ 1,737,058	\$ 1,107,159	\$ 1,037,025
2012-13	1,801,085	888,124	180,369
2013-14	1,714,263	879,295	537,999
2014-15	1,841,933	860,634	170,537
2015-16	1,785,292	926,130	207,380
2016-17	1,686,369	1,004,918	-
2017-18	2,021,422	898,987	48,131
2018-19	1,994,915	888,715	1,035,653
2019-20	1,872,671	898,490	604,213
2020-21	2,072,746	1,445,325	348,425

Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs	Revenues from the Use of Money and Property	Miscellaneous	Total
\$ 853,748	\$ 1,915,645	\$ 342,475	\$ 30,510	\$ 195,536	\$ 7,219,156
847,876	2,046,326	318,578	31,329	156,868	6,270,555
872,343	2,196,011	325,817	35,745	169,570	6,731,043
876,354	2,406,663	262,236	72,575	188,562	6,679,494
869,552	2,647,320	404,166	62,462	221,423	7,123,725
865,807	2,826,013	257,874	60,871	210,122	6,911,974
875,086	2,856,532	271,404	67,601	251,921	7,291,084
865,887	2,998,922	268,442	127,388	240,698	8,420,620
897,332	2,677,539	245,801	112,759	255,572	7,564,377
945,065	3,690,730	239,500	30,991	358,773	9,131,555

TOWN OF CHINCOTEAGUE, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permit Privilege Fees and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Revenues from the Use of Money and Property</u>
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
2019-20	892,864	2,677,539	37,080	51,274	95,125
2020-21	949,072	3,690,730	62,980	32,087	29,928

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

Table 3

	Charges for Services	Miscellaneous	Inter- governmental	Total
\$	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
	392,724	261,572	1,748,504	6,156,682
	401,429	587,633	1,923,183	7,677,042

TOWN OF CHINCOTEAGUE, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health</u>	<u>Parks Recreation and Cultural</u>
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	1,268,993	1,838,259	2,435,679	146,469	83,267
2019-20	1,824,350	1,904,540	2,409,753	121,510	24,273
2020-21	1,336,082	1,990,664	2,962,238	103,906	17,054

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

Table 4

<u>Community Development</u>	<u>Debt Service</u>	<u>Total</u>
\$ 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
83,691	-	6,368,117
78,492	49,712	6,538,148

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
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%
2019-20	1,010,041	980,277	97.05%	16,838	997,115	98.72%	40,454	4.01%
2020-21	1,047,653	1,008,743	96.29%	29,643	1,038,386	99.12%	27,305	2.61%

(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
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
2019-20	914,124,100	42,160,105	12,794,436	4,032,914	973,111,555
2020-21	956,405,700	43,072,800	12,947,147	4,268,014	1,016,693,661

- (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
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
2019-20	0.07	0.85	0.07	0.07	0.85
2020-21	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
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
2019-20	2,941	973,111,555	965,301	965,301	0.10%	328
2020-21	2,941	1,016,693,661	715,843	715,843	0.07%	243

(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, 2021, 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 April 26, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

April 26, 2022



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chincoteague, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Chincoteague, Virginia's major federal programs for the year ended June 30, 2021. Town of Chincoteague, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chincoteague, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chincoteague, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Chincoteague, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
April 26, 2022

TOWN OF CHINCOTEAGUE, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of the Interior:			
Direct payments:			
National Wildlife Refuge System Enhancements	15.654	N/A	\$ <u>238,358</u>
Total Department of the Interior			\$ <u>238,358</u>
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Rail and Public Transportation:			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Unavailable	\$ 67,246
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-20-50115	<u>10,500</u>
Total Department of Transportation			\$ <u>77,746</u>
Department of Treasury:			
Pass Through Payments:			
County of Accomack, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	Unavailable	\$ <u>503,922</u>
Total Expenditures of Federal Awards			<u>\$ <u>820,026</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

TOWN OF CHINCOTEAGUE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Chincoteague, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Chincoteague, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Chincoteague, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The Town did not elect to use the 10% de minimis indirect cost rate.

(4) The Town did not pass any federal awards through to subrecipients during the year ended June 30, 2021.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	759,152
Special Revenue Fund:		
Trolley Fund		67,246
Less: Payments in lieu of taxes		<u>(6,372)</u>
Total federal expenditures per basic financial statements	\$	<u><u>820,026</u></u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>820,026</u></u>
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TOWN OF CHINCOTEAGUE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No
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Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	No
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SECTION II - FINANCIAL STATEMENT FINDINGS:

There are no financial statement findings to report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

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

SECTION IV - PRIOR YEAR FINDINGS:

There are no prior year findings.

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