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Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

# Independent Auditors' Report

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

# Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Onancock, Virginia, as of and for the year ended June 30, 2015, 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.

# *Opinion*s

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Onancock, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

# Other Matters

# Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 4-8, 52, and 53-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

# Other Information

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

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

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the Town of Onancock, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Onancock, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Accounts

Charlottesville, Virginia December 17, 2015

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As management of Town of Onancock, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

# 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 \$12,729,590 (net position). A majority of this amount, \$11,698,829, is invested in capital assets and is not available to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town reported a General Fund balance of \$347,797, an increase of \$117,282 from the prior year.
- The Town's total long-term obligations decreased from \$9,720,082 to \$9,313,119 during the current fiscal year.

# **Overview of the Financial Statements**

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

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

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

<u>Government-wide financial statements</u> - 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 of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

# Overview of the Financial Statements: (Continued)

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

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

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

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

The Town maintains a total of three governmental funds. Of the three governmental funds, one is considered to be a major fund, the General Fund. The other two governmental funds are the Housing Rehabilitation Fund and the Police Seizure Fund, both of which are nonmajor.

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

<u>Proprietary funds</u> - The Town maintains one proprietary fund - the Water and Sewer Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

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

<u>Other information</u> - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedule of pension funding progress.

# **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$12,738,995 at the close of the most recent fiscal year.

### Government-wide Financial Analysis: (Continued)

|   |    | Governmental<br>Activities |      |                      |    | Busin<br>Act          | ess<br>tivit | 51                    | Totals |                         |    |                         |
|---|----|----------------------------|------|----------------------|----|-----------------------|--------------|-----------------------|--------|-------------------------|----|-------------------------|
|   | _  | 2015                       |      | 2014                 |    | 2015                  |              | 2014                  |        | 2015                    | _  | 2014                    |
| Current and other assets<br>Capital assets                        | \$ | 769,901<br>1,998,795       | \$   | 528,583<br>1,947,249 | \$ | 609,154<br>18,977,773 | \$           | 775,812<br>19,388,834 | \$     | 1,379,055<br>20,976,568 | \$ | 1,304,395<br>21,336,083 |
| Total assets  | \$ | 2,768,696                  | \$   | 2,475,832            | \$ | 19,586,927            | \$           | 20,164,646            | \$     | 22,355,623              | \$ | 22,640,478              |
| Deferred outflows of resources                                    | \$ | 23,616                     | \$   | -                    | \$ | 12,113                | \$           | -                     | \$     | 35,729                  | \$ | -                       |
| Total assets and deferred outflows<br>of resources                | \$ | 2,792,312                  | _\$_ | 2,475,832            | \$ | 19,599,040            | \$           | 20,164,646            | \$     | 22,391,352              | \$ | 22,640,478              |
| Current liabilities<br>Long-term liabilities                      | \$ | 59,510<br>200,511          | \$   | 81,672<br>195,075    | \$ | 648,317<br>8,660,476  | \$           | 892,385<br>9,080,926  | \$     | 707,827<br>8,860,987    | \$ | 974,057<br>9,276,001    |
| Total liabilities   | \$ | 260,021                    | \$   | 276,747              | \$ | 9,308,793             | \$           | 9,973,311             | \$     | 9,568,814               | \$ | 10,250,058              |
| Deferred inflows of resources                                     | \$ | 61,437                     | \$   | -                    | \$ | 31,511                | \$           | -                     | \$     | 92,948                  | \$ | -                       |
| Net position:<br>Net investment in capital assets<br>Unrestricted | \$ | 1,789,873<br>680,981       | \$   | 1,745,609<br>453,476 | \$ | 9,908,956<br>349,780  | \$           | 9,901,563<br>289,772  | \$     | 11,698,829<br>1,030,761 | \$ | 11,647,172<br>743,248   |
| Total net position  | \$ | 2,470,854                  | \$   | 2,199,085            | \$ | 10,258,736            | \$           | 10,191,335            | \$     | 12,729,590              | \$ | 12,390,420              |
| Total liabilities, deferred inflows of resources and net positon  | \$ | 2,792,312                  | \$   | 2,475,832            | \$ | 19,599,040            | \$           | 20,164,646            | \$     | 22,391,352              | \$ | 22,640,478              |

Town of Onancock, Virginia's Net Position

A large part of the Town's net position, \$11,698,829, reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# Government-wide Financial Analysis: (Continued)

<u>Governmental Activities</u> - Governmental activities increased the Town's net position by \$153,871 while proprietary activities increased net position by \$7,100. Key elements of these changes are as follows:

|                                      |    | For the Y      | ears   | Ended June       | 30 | , 2015 and 20 | )14 |               |               |            |
|--------------------------------------|----|----------------|--------|------------------|----|---------------|-----|---------------|---------------|------------|
|                                      |    | Goveri<br>Acti |        | Busines<br>Activ |    |               | 51  | Total         | \$            |            |
|                                      | _  | 2015           |        | 2014             |    | 2015          |     | 2014          | 2015          | 2014       |
| Revenues:                            |    |                |        |                  |    |               |     |               |               |            |
| Program revenues:                    |    |                |        |                  |    |               |     |               |               |            |
| Charges for services                 | \$ | 174,923        | \$     | 106,723          | \$ | 849,830       | \$  | 764,376 \$    | 1,024,753 \$  | 871,099    |
| Operating grants and contributions   |    | 36,607         |        | 84,690           |    | -             |     | -             | 36,607        | 84,690     |
| Capital grants and contributions     |    | 33,621         | 50,410 |                  |    | 335,790       |     | -             | 369,411       | 50,410     |
| General revenues:                    |    |                |        |                  |    |               |     |               |               |            |
| General property taxes               |    | 423,094        |        | 432,462          |    | -             |     | -             | 423,094       | 432,462    |
| Other local taxes                    |    | 428,063        |        | 363,988          |    | -             |     | -             | 428,063       | 363,988    |
| Other general revenues               | _  | 118,751        |        | 136,663          |    | -             |     | 22            | 118,751       | 136,685    |
| Total revenues                       | \$ | 1,215,059      | \$     | 1,174,936        | \$ | 1,185,620     | \$  | 764,398 \$    | 2,400,679 \$  | 1,939,334  |
| Expenses:                            |    |                |        |                  |    |               |     |               |               |            |
| General government administration    | \$ | 302,632        | \$     | 360,651          | \$ | -             | \$  | - \$          | 302,632 \$    | 360,651    |
| Public safety                        |    | 347,946        |        | 354,843          |    | -             |     | -             | 347,946       | 354,843    |
| Public works                         |    | 283,050        |        | 250,481          |    | -             |     | -             | 283,050       | 250,481    |
| Parks, recreation, and cultural      |    | 119,280        |        | 198,726          |    | -             |     | -             | 119,280       | 198,726    |
| Interest and other fiscal charges    |    | 8,280          |        | 6,456            |    | -             |     | -             | 8,280         | 6,456      |
| Water and Sewer Fund                 | _  | -              |        | -                |    | 1,178,520     |     | 1,162,288     | 1,178,520     | 1,162,288  |
| Total expenses                       | \$ | 1,061,188      | \$     | 1,171,157        | \$ | 1,178,520     | \$  | 1,162,288 \$  | 2,239,708 \$  | 2,333,445  |
| Increase/(decrease) in net position  | \$ | 153,871        | \$     | 3,779            | \$ | 7,100         | \$  | (397,890) \$  | 160,971 \$    | (394,111)  |
| Net position, beginning, as restated | _  | 2,316,983      |        | 2,195,306        |    | 10,251,636    |     | 10,589,225    | 12,568,619    | 12,784,531 |
| Net position, ending                 | \$ | 2,470,854      | \$     | 2,199,085        | \$ | 10,258,736    | \$  | 10,191,335 \$ | 12,729,590 \$ | 12,390,420 |

# Town of Onancock, Virginia's Changes in Net Position

# Financial Analysis of the Town's Funds

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

<u>Governmental Funds</u> - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. At June 30, 2015 the Town's fund balances total \$493,579, as the balance increased \$113,231 during the fiscal year.

# General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$1,225,460 and expenditures of \$1,116,186 (reference schedules 1 and 2). Actual General Fund revenues totaled \$1,231,943 which was \$6,483 more than the final budget. General Fund expenditures totaled \$1,150,769 and were over the final budget amounts by \$34,583. Overall general revenues exceeded expenditures by \$81,174, reference Exhibit 9.

# Capital Asset and Debt Administration

<u>Capital assets</u> - The Town's investment in capital assets (net of related debt) for its governmental funds as of June 30, 2015 totals \$1,789,873 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. The Town's investment in capital assets for the current fiscal year increased by \$51,546. Capital assets in the proprietary fund decreased by \$411,061.

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

### <u>Debt</u>

During the year, the Town decreased its business-type activities obligations by \$418,724. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 5 to the financial statements.

### Contact the Town's Financial Management

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

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**Basic Financial Statements** 

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**Government-wide Financial Statements** 

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#### Statement of Net Position June 30, 2015

|   | _   | Pr                         |     |                                 |              |     |
|---|-----|----------------------------|-----|---------------------------------|--------------|-----|
|   | _   | Governmental<br>Activities |     | Business-<br>type<br>Activities | Total        |     |
| ASSETS  |     |                            |     |                                 |              |     |
| Current Assets:   |     |                            |     |                                 |              |     |
| Cash and cash equivalents<br>Receivables (net of allowance for uncollectibles): | \$  | 150,879                    | \$  | 804,439 \$                      | 955,3        | 818 |
| Property taxes  |     | 82,046                     |     | -                               | 82,0         | )46 |
| Accounts receivable   |     | 5,961                      |     | 52,997                          | 58,9         | 58  |
| Prepaid items   |     | 18,040                     |     | 2,680                           | 20,7         | 20  |
| Internal balances   | -   | 339,789                    |     | (339,789)                       |              | -   |
| Total Current Assets  | \$  | 596,715                    | _\$ | 520,327 \$                      | 1,117,0      | 42  |
| Noncurrent Assets:  |     |                            |     |                                 |              |     |
| Net pension asset   | \$  | 173,186                    | \$  | 88,827 \$                       | 262,0        | )13 |
| Capital assets (net of depreciation):<br>Land                                   |     | 908,494                    |     | _                               | 908,4        | 0/  |
| Construction in progress  |     | 55,748                     |     | -                               | 55,7         |     |
| Buildings and improvements  |     | 440,173                    |     | 4,102,751                       | 4,542,9      |     |
| Machinery and equipment   |     | 73,310                     |     | 119,923                         | 193,2        |     |
| Infrastructure  | -   | 521,070                    |     | 14,755,099                      | 15,276,1     | 69  |
| Total Capital Assets (net of accumulated depreciation)                          | \$  | 1,998,795                  | \$  | 18,977,773 \$                   | 20,976,5     | 68  |
| Total Noncurrent Assets   | \$  | 2,171,981                  | \$  | 19,066,600 \$                   | 21,238,5     | 81  |
| Total Assets  | \$  | 2,768,696                  | \$  | 19,586,927 \$                   | 22,355,6     | 23  |
| DEFERRED OUTFLOWS OF RESOURCES  |     |                            |     |                                 |              |     |
| Pension contributions subsequent to measurement date                            | \$  | 23,616                     | \$  | 12,113 \$                       | 35,7         | 29  |
| Total Assets and Deferred Outflows of Resources                                 | \$_ | 2,792,312                  | =   | 19,599,040 \$                   | 22,391,3     | 52  |
| LIABILITIES   |     |                            |     |                                 |              |     |
| Current Liabilities:  |     | 00.4/7                     |     | 40 700 1                        | (7.0         |     |
| Accounts payable and accrued expenses<br>Accrued interest payable               | \$  | 29,167                     | \$  | 18,728 \$<br>7,827              | 47,8<br>7,8  |     |
| Unearned revenue  |     | -                          |     | 199,973                         | 7,8<br>199,9 |     |
| Current portion of long-term obligations  | _   | 30,343                     |     | 421,789                         | 452,1        |     |
| Total Current Liabilities   | \$  | 59,510                     | \$  | 648,317 \$                      | 707,8        | 827 |
| Noncurrent Liabilities:   |     |                            |     |                                 |              |     |
| Noncurrent portion of long-term obligations                                     | -   | 200,511                    |     | 8,660,476                       | 8,860,9      | 87  |
| Total Liabilities   | \$  | 260,021                    | \$  | 9,308,793 \$                    | 9,568,8      | 814 |
| DEFERRED INFLOWS OF RESOURCES:  |     |                            |     |                                 |              |     |
| Items related to measurement of net pension liability                           | \$  | 61,437                     | \$  | 31,511 \$                       | 92,9         | 948 |
| NET POSITION  |     |                            |     |                                 |              |     |
| Net investment in capital assets  | \$  | 1,789,873                  | \$  | 9,908,956 \$                    | 11,698,8     | 329 |
| Unrestricted assets   | -   | 680,981                    |     | 349,780                         | 1,030,7      |     |
| Total Net Position  | \$  | 2,470,854                  | \$  | 10,258,736 \$                   | 12,729,5     | 90  |
| Total Liabilities, Deferred Inflows of Resources,                               |     |                            |     |                                 |              |     |
| and Net Position  | \$  | 2,792,312                  | \$  | 19,599,040 \$                   | 22,391,3     | 52  |
|   | . = |                            | = = |                                 | , - , -      | _   |

Exhibit 1

# Statement of Activities Year Ended June 30, 2015

|  |         |   |      | Program Revenues                     |    |  |    |  |  |  |
|--|---------|---|------|--------------------------------------|----|--|----|--|--|--|
| Functions/Programs   |         | Expenses  | _    | Charges<br>for<br>Services           |    | Operating<br>Grants and<br>Contributions |    | Capital<br>Grants and<br>Contributions |  |  |
| Governmental activities:<br>General government administration<br>Public safety<br>Public works<br>Parks, recreation and cultural<br>Interest and other fiscal charges  | \$      | 302,632<br>347,946<br>283,050<br>119,280<br>8,280 | \$   | -<br>18,946<br>73,040<br>82,937<br>- | \$ | -<br>35,548<br>1,059<br>-                | \$ | -<br>17,000<br>-<br>16,621<br>-        |  |  |
| Total governmental activities  | \$      | 1,061,188   | \$   | 174,923                              | \$ | 36,607                                   | \$ | 33,621                                 |  |  |
| Business-type activities:<br>Water and Sewer   |         | 1,178,520   |      | 849,830                              |    | -  |    | 335,790                                |  |  |
| Total primary government   | \$      | 2,239,708   | \$   | 1,024,753                            | \$ | 36,607                                   | \$ | 369,411                                |  |  |
| General revenues:<br>General property taxes<br>Local sales and use taxes<br>Consumers utility taxes<br>Meals taxes<br>Business license taxes<br>Bank franchise taxes<br>Other local taxes<br>Unrestricted revenues from use of money and property<br>Grants and contributions not restricted to specific programs<br>Miscellaneous<br>Total general revenues |         |   |      |                                      |    |  |    |  |  |  |
| Change in r  | net pos | ition   |      |                                      |    |  |    |  |  |  |
| Net positio  | n - beg | inning, as resta                                  | ited |                                      |    |  |    |  |  |  |
|  |         |   |      |                                      |    |  |    |  |  |  |

| Net (Expense) Revenue and |
|---------------------------|
| Changes in Net Position   |

| Primary Government             |  |  |  |   |  |  |  |  |  |  |
|--------------------------------|--|--|--|---|--|--|--|--|--|--|
| Business-<br>Governmental type |  |  |  |   |  |  |  |  |  |  |
| Activities                     |  | Activities   |  | Total   |  |  |  |  |  |  |
|                                |  |  |  |   |  |  |  |  |  |  |
| (302,632)                      | \$   | -  | \$   | (302,632)   |  |  |  |  |  |  |
| (276,452)                      |  | -  |  | (276,452)   |  |  |  |  |  |  |
| (208,951)                      |  | -  |  | (208,951)   |  |  |  |  |  |  |
| (19,722)                       |  | -  |  | (19,722)  |  |  |  |  |  |  |
| (8,280)                        |  | -  |  | (8,280)   |  |  |  |  |  |  |
| (816,037)                      | \$   | -  | \$   | (816,037)   |  |  |  |  |  |  |
| -                              |  | 7,100  |  | 7,100   |  |  |  |  |  |  |
| (816,037)                      | \$   | 7,100  | \$   | (808,937)   |  |  |  |  |  |  |
|                                |  |  |  |   |  |  |  |  |  |  |
| 423,094                        | \$   | -  | \$   | 423,094   |  |  |  |  |  |  |
| 66,873                         |  | -  |  | 66,873  |  |  |  |  |  |  |
| 145,681                        |  | -  |  | 145,681   |  |  |  |  |  |  |
| 113,686                        |  | -  |  | 113,686   |  |  |  |  |  |  |
| 42,057                         |  | -  |  | 42,057  |  |  |  |  |  |  |
| 37,560                         |  | -  |  | 37,560  |  |  |  |  |  |  |
| 22,206                         |  | -  |  | 22,206  |  |  |  |  |  |  |
| 29,631                         |  | -  |  | 29,631  |  |  |  |  |  |  |
|                                |  | -  |  | 68,265  |  |  |  |  |  |  |
| 20,855                         |  | -  |  | 20,855  |  |  |  |  |  |  |
| 969,908                        | \$   | -  | \$   | 969,908   |  |  |  |  |  |  |
| 153,871                        | \$   | 7,100  | \$   | 160,971   |  |  |  |  |  |  |
| 2,316,983                      |  | 10,251,636   |  | 12,568,619  |  |  |  |  |  |  |
| 2,470,854                      | \$   | 10,258,736   | \$   | 12,729,590  |  |  |  |  |  |  |
|                                | Governmental<br>Activities<br>(302,632)<br>(276,452)<br>(208,951)<br>(19,722)<br>(8,280)<br>(816,037)<br>(816,037)<br>-<br>(816,037)<br>-<br>(816,037)<br>423,094<br>66,873<br>145,681<br>113,686<br>42,057<br>37,560<br>22,206<br>29,631<br>68,265<br>20,855<br>969,908<br>153,871<br>2,316,983 | Governmental<br>Activities           (302,632)         \$           (276,452)         (208,951)           (19,722)         (8,280)           (816,037)         \$           (816,037)         \$           423,094         \$           66,873         145,681           113,686         42,057           37,560         22,206           29,631         68,265           20,855         969,908           153,871         \$           2,316,983         \$ | Governmental<br>Activities         Business-<br>type<br>Activities           (302,632) \$         -           (276,452)         -           (208,951)         -           (19,722)         -           (816,037) \$         -           (816,037) \$         7,100           (816,037) \$         7,100           423,094 \$         -           66,873         -           145,681         -           113,686         -           422,057         -           37,560         -           22,206         -           29,631         -           68,265         -           20,855         -           969,908 \$         -           153,871 \$         7,100 | Governmental<br>ActivitiesBusiness-<br>type<br>Activities $(302,632)$ \$- $(302,632)$ \$- $(276,452)$ - $(208,951)$ - $(19,722)$ - $(8280)$ - $(816,037)$ \$ $(816,037)$ \$ $(816,037)$ \$ $(816,037)$ \$ $7,100$ $(816,037)$ \$ $7,100$ $(816,037)$ \$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $(816,037)$ $7,100$ $8,265$ $20,855$ $20,855$ $20,855$ $2,316,983$ $10,251,636$ |  |  |  |  |  |  |

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Fund Financial Statements

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# Balance Sheet - Governmental Funds

June 30, 2015

| ASSETS<br>Cash and cash equivalents<br>Receivables (Net of allowance for uncollectibles):<br>Taxes, including penalties<br>82,046 -   | 150,879         |
|---|-----------------|
| Cash and cash equivalents\$ 98,086 \$ 52,793 \$Receivables (Net of allowance for uncollectibles):   | 150,879         |
|   |                 |
| laxes, including penalties 82.046 -   | 00.04/          |
| Accounts 5,961 -  | 82,046<br>5,961 |
| Due from other funds 339,789 92,989   | 432,778         |
| Prepaid items 18,040 -  | 18,040          |
| Total assets \$\$\$\$\$\$   | 689,704         |
| LIABILITIES   |                 |
| Accounts payable \$ 29,167 \$ - \$  | 29,167          |
| Due to other funds 92,989 -   | 92,989          |
| Total liabilities         \$ 122,156 \$\$   | 122,156         |
| DEFERRED INFLOWS OF RESOURCES   |                 |
| Unavailable revenue - property taxes \$ 73,969 \$ - \$  | 73,969          |
| FUND BALANCES<br>Nonspendable \$ 18,040 \$ - \$   | 18,040          |
| Restricted:   |                 |
| 5   | 145,782         |
| Unassigned 329,757 -  | 329,757         |
| Total fund balances         \$347,797 \$145,782 \$  | 493,579         |
| Total liabilities, deferred inflows of resources, and fund balances       \$\$      \$        \$\$\$      \$      \$  | 689,704         |
| Detailed explanation of adjustments from fund statements to government-wide Statement of<br>Net Position:   |                 |
| Fund balance of governmental funds \$   | 493,579         |
| When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the locality as a whole. | 998,795         |
| Some of the Town's property taxes will be collected after year-end, but are not available   |                 |
| soon enough to pay for the current year's expenditures, and therefore are reported as<br>unavailable revenue in the funds.  | 73,969          |
| The net pension asset is not an available resource and, therefore, is not reported in the funds.  | 173,186         |
| Other long-term assets are not available to pay for current-period expenditures and,  | .,              |
| therefore, are deferred in the funds.<br>Items related to the measurement of net pension liability  | (61,437)        |
| Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability / asset in the next fiscal year and, therefore, are not reported in   | 00 (1(          |
| the funds.  | 23,616          |
| Long-term liabilities applicable to the Town's governmental activities are not due and<br>payable in the current period and accordingly are not reported as fund liabilities. All<br>liabilitiesboth current and long-termare reported in the Statement of Net Position.  |                 |
| Compensated absenses \$ (21,932)  |                 |
| General obligation bonds (169,671)  |                 |
| Notes payable (39,251)  | 230,854)        |
| Net position of general government activities \$  | 470,854         |

Exhibit 3

#### Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds Year Ended June 30, 2015

| Deveryon                               | _  | General<br>Fund | _  | Other<br>Governmental<br>Funds | Total     |
|--|----|-----------------|----|--------------------------------|-----------|
| Revenues:<br>General property taxes    | \$ | 440,035         | ¢  | - \$                           | 440,035   |
| Other local taxes                      | φ  | 440,035         | φ  | - Þ                            | 440,035   |
| Fines and forfeitures                  |    | 18,946          |    | -                              | 18,946    |
| Revenue from use of money and property |    | 29,574          |    | 57                             | 29,631    |
| Charges for services                   |    | 155,977         |    | -                              | 155,977   |
| Miscellaneous                          |    | 20,855          |    | -                              | 20,855    |
| Intergovernmental:                     |    |                 |    |                                |           |
| Commonwealth                           |    | 104,872         |    | -                              | 104,872   |
| Federal                                |    | 33,621          | -  |                                | 33,621    |
| Total revenues                         | \$ | 1,231,943       | \$ | 57 \$                          | 1,232,000 |
| Expenditures:                          |    |                 |    |                                |           |
| Current:                               |    |                 |    |                                |           |
| General government administration      | \$ | 299,455         | \$ | - \$                           | 299,455   |
| Public safety                          |    | 378,356         |    | -                              | 378,356   |
| Public works                           |    | 271,733         |    | -                              | 271,733   |
| Parks, recreation and cultural         |    | 167,883         |    | -                              | 167,883   |
| Nondepartmental                        |    | 344             |    | -                              | 344       |
| Debt service:                          |    |                 |    |                                |           |
| Principal retirement                   |    | 24,718          |    | -                              | 24,718    |
| Interest and other fiscal charges      | _  | 8,280           | -  |                                | 8,280     |
| Total expenditures                     | \$ | 1,150,769       | \$ | \$                             | 1,150,769 |
| Excess (deficiency) of revenues        |    |                 |    |                                |           |
| over (under) expenditures              | \$ | 81,174          | \$ | 57 \$                          | 81,231    |
| Other financing sources (uses):        |    |                 |    |                                |           |
| Tranfers in                            | \$ | 4,108           | \$ | - \$                           | 4,108     |
| Tranfers (out)                         |    | -               |    | (4,108)                        | (4,108)   |
| Issuance of notes payable              |    | 32,000          | -  |                                | 32,000    |
| Total other financing sources (uses)   | \$ | 36,108          | \$ | (4,108) \$                     | 32,000    |
| Net change in fund balances            | \$ | 117,282         | \$ | (4,051) \$                     | 113,231   |
| Fund balances, at beginning of year    |    | 230,515         | -  | 149,833                        | 380,348   |
| Fund balances, at end of year          | \$ | 347,797         | \$ | 145,782 \$                     | 493,579   |

# Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds Year Ended June 30, 2015

|  |             |                             | Governmental<br>Funds |
|--|-------------|-----------------------------|-----------------------|
| Amounts reported for governmental activities in the Statement of Activities are different because:   | è           |                             |                       |
| Net change in fund balances - total governmental funds   |             | \$                          | 113,231               |
| Governmental funds report capital outlays as expenditures. However, in the<br>Statement of Activities the cost of those assets is allocated over their estimated<br>useful lives and reported as depreciation expense. The following details<br>support this adjustment.   | 1           |                             |                       |
| Depreciation expense<br>Capital outlay   | \$          | (60,485)<br>112,031         | 51,546                |
| Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and available to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.  |             |                             | (16,941)              |
| Revenues in the Statement of Activities that do not provide current financia resources are not reported as revenues in the funds.  | I           |                             |                       |
| Change in deferred inflows of resources related to the measurement of the net pension liability  | t           |                             | (61,437)              |
| The issuance of long-term debt (e.g. bonds, leases) provides current financia resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized ir the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows: | -<br>5<br>1 |                             |                       |
| Principal retired on note payable<br>Principal retired on general obligation bond<br>Issuance of note payable  |             | 5,238<br>19,480<br>(32,000) | (7,282)               |
| Some expenses reported in the Statement of Activities do not require the use of<br>current financial resources and, therefore are not reported as expenditures in<br>governmental funds. The following is a summary of items supporting this<br>adjustment:  | ۱           |                             |                       |
| Change in net pension asset<br>Change in deferred outflows of resources  | \$          | 77,166<br>2,067             |                       |
| Change in compensated absenses   | _           | (4,479)                     | 74,754                |
| Change in net position of governmental activities  |             | \$                          | 153,871               |

Statement of Net Position Proprietary Fund June 30, 2015

|   |                | Enterprise<br>Fund<br>Water and<br>Sewer Fund  |
|---|----------------|--|
| ASSETS  |                |  |
| Current assets:   |                |  |
| Cash and cash equivalents   | \$             | 804,439  |
| Accounts receivable, net of allowance for uncollectibles  |                | 52,997   |
| Prepaid items   |                | 2,680  |
| Total current assets  | \$             | 860,116  |
| Noncurrent assets:  |                |  |
| Net pension asset   | \$             | 88,827   |
| Capital assets (net of accumulated depreciation):   |                |  |
| Buildings and improvements  |                | 4,102,751  |
| Machinery and equipment   |                | 119,923  |
| Infrastructure  |                | 14,755,099   |
| Total capital assets (net of accumulated depreciation)  | \$             | 18,977,773   |
| Total noncurrent assets   | \$             | 19,066,600   |
| Total assets  | \$             | 19,926,716   |
| DEFERRED OUTFLOWS OF RESOURCES:   |                |  |
| Pension contributions subsequent to measurement date  | \$             | 12,113   |
| Total assets and deferred outflows of resources   | \$             | 19,938,829   |
| LIABILITIES<br>Current liabilities:<br>Accounts payable<br>Accrued interest payable<br>Due to other funds<br>Unearned revenue<br>Compensated absences - current portion<br>Bonds and note payable - current portion<br>Total current liabilities<br>Noncurrent liabilities:<br>Bonds and note payable - net of current portion<br>Compensated absences - net of current portion<br>Total noncurrent liabilities | \$<br>\$<br>\$ | 18,728<br>7,827<br>339,789<br>199,973<br>1,345<br>420,444<br>988,106<br>8,648,373<br>12,103<br>8,660,476 |
| Total liabilities   | \$             | 9,648,582  |
| DEFERRED INFLOWS OF RESOURCES:<br>Items related to measurement of net pension liability   | \$             | 31,511   |
| NET POSITION  |                |  |
| Net investment in capital assets  | \$             | 9,908,956  |
| Unrestricted  | ¥              | 349,780  |
| Total net position  | \$             | 10,258,736   |
| Total liabilities, deferred inflows of resources and net position   | \$             | 19,938,829   |

Exhibit 6

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

# Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund Year Ended June 30, 2015

|   | -   | Enterprise<br>Fund<br>Water and<br>Sewer Fund |
|---|-----|---|
| Operating revenues:<br>Charges for water services<br>Charges for sewer services | \$  | 266,305<br>583,525                            |
| Total operating revenues  | \$  | 849,830                                       |
| Operating expenses:<br>Water:   | _   |   |
| Personnel services  | \$  | 60,759  |
| Benefits  |     | 17,451  |
| Contractual services<br>Other charges   |     | 12,858<br>44,570                              |
| Total water operating expenses  | \$  | 135,638                                       |
| Sewer:  | -   | ,   |
| Personnel services  | \$  | 149,935                                       |
| Benefits  | Ŧ   | 45,498  |
| Contractual services  |     | 117,571                                       |
| Other charges   | _   | 144,988                                       |
| Total sewer operating expenses  | \$  | 457,992                                       |
| Other operating expenses:   |     |   |
| Depreciation  | \$  | 479,505                                       |
| Total other operating expenses  | \$  | 479,505                                       |
| Total operating expenses  | \$  | 1,073,135                                     |
| Net operating income (loss)   | \$  | (223,305)                                     |
| Nonoperating revenues (expenses):   |     |   |
| Interest expense  | \$  | (105,385)                                     |
| Total nonoperating revenues (expenses)  | \$  | (105,385)                                     |
| Net income (loss) before capital contributions                                  | \$  | (328,690)                                     |
| Capital contributions   | \$  | 335,790                                       |
| Change in net position  | \$  | 7,100   |
| Net position - beginning, as restated   | _   | 10,251,636                                    |
| Net position - ending   | \$_ | 10,258,736                                    |

# TOWN OF ONANCOCK, VIRGINIA

Statement of Cash Flows Proprietary Fund Year Ended June 30, 2015

|   | -   | Enterprise<br>Fund<br>Water and<br>Sewer Fund                         |
|---|-----|---|
| Cash flows from operating activities:<br>Receipts from customers and users<br>Payments to employees (including fringe benefits)<br>Payments for operating activities  | \$  | 894,797<br>(283,041)<br>(365,908)                                     |
| Net cash provided by (used for) operating activities  | \$_ | 245,848   |
| Cash flows from capital and related financing activities:<br>Retirement of indebtedness<br>Federal and state contributions<br>Purchase of capital assets<br>Interest paid on loans  | \$  | (418,454)<br>335,790<br>(268,444)<br>(105,526)                        |
| Net cash provided by (used for) capital and related financing activities  | \$_ | (456,634)   |
| Cash flows from noncapital financing activities:<br>Transfers in  | \$_ | 106,671   |
| Net cash provided by (used for) noncapital financing activities   | \$  | 106,671   |
| Increase (decrease) in cash and cash equivalents  | \$  | (104,115)   |
| Cash and cash equivalents at beginning of year  | -   | 908,554   |
| Cash and cash equivalents at end of year  | \$  | 804,439   |
| Reconciliation of operating income (loss) to net cash provided by (used for)<br>operating activities:<br>Operating income (loss)<br>Adjustments to reconcile operating income (loss) to net cash provided   | \$  | (223,305)   |
| provided by (used for) operating activities:<br>Depreciation  |     | 479,505   |
| Changes in operating assets and liabilities:<br>(Increase) decrease in accounts receivable<br>(Increase) decrease in prepaid items<br>Increase (decrease) in accounts payable<br>Increase (decrease) in deferred outflows of resources<br>Decrease (increase) in deferred inflows of resources<br>(Increase) decrease in net pension asset<br>Increase (decrease) in compensated absenses | -   | 44,967<br>(268)<br>(45,653)<br>(1,060)<br>31,511<br>(39,579)<br>(270) |
| Net cash provided by (used for) operating activities  | \$_ | 245,848   |

### NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

### **Financial Statement Presentation**

<u>Management's Discussion and Analysis</u>: GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of "management's discussion and analysis" (MD&A).

### Government-wide and Fund Financial Statements

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

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

### TOWN OF ONANCOCK, VIRGINIA

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

#### Financial Statement Presentation: (Continued)

#### Statement of Activities (Continued)

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

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

#### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Onancock, Virginia.

### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

### 1. <u>Governmental Funds</u>

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

### a. General Fund

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

### b. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The special revenue funds consist of the Housing Rehabilitation Fund and the Police Seizure Fund which are considered nonmajor funds.

# 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 Fund account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund which is considered a major fund.

### TOWN OF ONANCOCK, VIRGINIA

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

#### C. Budgets and Budgetary Accounting

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

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

### D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents. The Town has no investments at June 30, 2015.

### E. Prepaid Items

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

### F. <u>Receivables and Payables</u>

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).

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

#### F. 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 Town computes its allowance for uncollectible accounts using historical collection data. At June 30, 2015 the allowance for uncollectible general property taxes totaled \$58,966 and \$71,780 for water and sewer receivables.

#### G. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was zero interest attributable to capitalized assets at June 30, 2015.

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

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

#### H. Compensated Absences

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

#### I. Use of Estimates

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

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

#### J. Long-Term Obligations

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

## K. Fund Equity

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

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

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

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

## NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

## L. Net Position

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

## M. Net Position Flow Assumption

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

## N. Deferred Outflows/Inflows of Resources

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

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

#### O. Pensions

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

| Notes to | <b>Financial Statements</b> |  |
|----------|-----------------------------|--|
| June 30, | 2015 (Continued)            |  |

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

#### P. Adoptions of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

|   | Governmental<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| Net position as reported at June 30, 2014 | \$<br>2,199,085            | \$<br>10,191,335            |
| Implementation of GASB 68                 | 117,898                    | 60,301                      |
| Net position as restated at June 30, 2014 | \$<br>2,316,983            | \$<br>10,251,636            |

## NOTE 2-PROPERTY TAXES RECEIVABLE:

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

#### NOTE 3-DEPOSITS:

#### Deposits:

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

Notes to Financial Statements June 30, 2015 (Continued)

# NOTE 4-CAPITAL ASSETS:

The following is a summary of changes of governmental activities capital assets for the fiscal year ended June 30, 2015:

|   | Balance<br>July 1, 2014 |        | Increases | Decreases |     | Balance<br>June 30, 2015 |
|---|-------------------------|--------|-----------|-----------|-----|--------------------------|
| Governmental Activities:                    |                         |        |           |           |     |                          |
| Capital assets not being depreciated:       |                         |        |           |           |     |                          |
| Land  | \$<br>908,494           | \$     | -         | \$<br>-   | \$  | 908,494                  |
| Construction in progress                    | <br>-                   |        | 55,748    | <br>-     | -   | 55,748                   |
| Total capital assets not being depreciated  | \$<br>908,494           | _ \$ _ | 55,748    | \$<br>-   | \$. | 964,242                  |
| Capital assets being depreciated:           |                         |        |           |           |     |                          |
| Buildings and improvements                  | \$<br>986,958           | \$     | 4,578     | \$<br>-   | \$  | 991,536                  |
| Machinery and equipment                     | 492,475                 |        | 51,705    | -         |     | 544,180                  |
| Infrastructure                              | <br>1,401,760           |        | -         | <br>      |     | 1,401,760                |
| Total capital assets being depreciated      | \$<br>2,881,193         | _ \$ _ | 56,283    | \$<br>-   | \$. | 2,937,476                |
| Accumulated depreciation:                   |                         |        |           |           |     |                          |
| Buildings and improvements                  | \$<br>534,335           | \$     | 17,028    | \$<br>-   | \$  | 551,363                  |
| Machinery and equipment                     | 462,457                 |        | 8,413     | -         |     | 470,870                  |
| Infrastructure                              | <br>845,646             |        | 35,044    | <br>      |     | 880,690                  |
| Total accumulated depreciation              | \$<br>1,842,438         | _\$_   | 60,485    | \$<br>-   | \$  | 1,902,923                |
| Total capital assets being depreciated, net | \$<br>1,038,755         | _\$_   | (4,202)   | \$<br>-   | \$. | 1,034,553                |
| Net capital assets                          | \$<br>1,947,249         | \$     | 51,546    | \$<br>-   | \$  | 1,998,795                |

# NOTE 4-CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes of business-type activities capital assets for the fiscal year ended June 30, 2015:

|  |     | Balance<br>July 1, 2014 | Increases       | Decreases     |     | Balance<br>June 30, 2015 |
|--|-----|-------------------------|-----------------|---------------|-----|--------------------------|
| Business-type Activities:                  | •   |                         |                 |               | - · |                          |
| Capital assets not being depreciated:      |     |                         |                 |               |     |                          |
| Construction in progress                   | \$. | 276,070                 | \$<br>254,949   | \$<br>531,019 | \$  | -                        |
| Total capital assets not being depreciated | \$  | 276,070                 | \$<br>254,949   | \$<br>531,019 | \$  |                          |
| Capital assets being depreciated:          |     |                         |                 |               |     |                          |
| Buildings and improvements                 | \$  | 5,284,540               | \$<br>-         | \$<br>-       | \$  | 5,284,540                |
| Machinery and equipment                    |     | 1,995,802               | 13,495          | -             |     | 2,009,297                |
| Infrastructure                             | -   | 15,807,976              | <br>331,019     | <br>-         |     | 16,138,995               |
| Total capital assets being depreciated     | \$  | 23,088,318              | \$<br>344,514   | \$<br>-       | \$  | 23,432,832               |
| Accumulated depreciation:                  |     |                         |                 |               |     |                          |
| Buildings and improvements                 | \$  | 1,045,827               | \$<br>135,962   | \$<br>-       | \$  | 1,181,789                |
| Machinery and equipment                    |     | 1,866,347               | 23,027          | -             |     | 1,889,374                |
| Infrastructure                             | -   | 1,063,380               | <br>320,516     | <br>-         |     | 1,383,896                |
| Total accumulated depreciation             | \$  | 3,975,554               | \$<br>479,505   | \$<br>-       | \$  | 4,455,059                |
| Other capital assets, net                  | \$  | 19,112,764              | \$<br>(134,991) | \$<br>-       | \$  | 18,977,773               |
| Net capital assets                         | \$  | 19,388,834              | \$<br>119,958   | \$<br>531,019 | \$  | 18,977,773               |

Depreciation expense was charged to functions/programs as follows:

| Governmental activities:          |    |         |
|-----------------------------------|----|---------|
| General government administration | \$ | 5,649   |
| Public safety                     |    | 7,230   |
| Public works                      |    | 33,008  |
| Recreation                        | _  | 14,598  |
| Total governmental activities     | \$ | 60,485  |
| Business-type activities:         |    |         |
| Water and sewer                   | \$ | 479,505 |
| Total business-type activities    | \$ | 479,505 |

## NOTE 5-LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Town for the fiscal year ended June 30, 2015:

|                          | -  | Balance<br>July 1, 2014 | <br>Issuances /<br>Increases | <br>Retirements /<br>Decreases | Balance<br>June 30, 2015 | <u>)</u> | Amounts<br>Due Within<br>One Year |
|--------------------------|----|-------------------------|------------------------------|--------------------------------|--------------------------|----------|-----------------------------------|
| Governmental Activities  |    |                         |                              |                                |                          |          |                                   |
| Notes payable            | \$ | 12,489                  | \$<br>32,000                 | \$<br>5,238                    | \$<br>39,251             | \$       | 7,867                             |
| General obligation bond  |    | 189,151                 | -                            | 19,480                         | 169,671                  |          | 20,283                            |
| Compensated absences     | -  | 17,453                  | <br>5,825                    | <br>1,346                      | <br>21,932               |          | 2,193                             |
| Total Governmental       |    |                         |                              |                                |                          |          |                                   |
| Activities               | \$ | 219,093                 | \$<br>37,825                 | \$<br>26,064                   | \$<br>230,854            | \$       | 30,343                            |
| Business-type Activities |    |                         |                              |                                |                          |          |                                   |
| General obligation bonds | \$ | 9,479,490               | \$<br>-                      | \$<br>415,771                  | \$<br>9,063,719          | \$       | 417,761                           |
| Note payable             |    | 7,781                   | -                            | 2,683                          | 5,098                    |          | 2,683                             |
| Compensated absences     | -  | 13,718                  | <br>-                        | <br>270                        | <br>13,448               |          | 1,345                             |
| Total Business-type      |    |                         |                              |                                |                          |          |                                   |
| Activities               | \$ | 9,500,989               | \$<br>-                      | \$<br>418,724                  | \$<br>9,082,265          | \$       | 421,789                           |

# NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

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

|          |    |           | Governmenta | al Activities | Business-type Activities |           |              |                  |             |          |  |
|----------|----|-----------|-------------|---------------|--------------------------|-----------|--------------|------------------|-------------|----------|--|
| Year     | -  |           |             | Ge            | ner                      | al        | Genera       | al               |             |          |  |
| Ending   |    | Notes Pa  | ayable      | Obliga        | Obligation Bond          |           |              | Obligation Bonds |             | ayable   |  |
| June 30, |    | Principal | Interest    | Principal     |                          | Interest  | Principal    | Interest         | Principal   | Interest |  |
| 2016     | \$ | 7,867 \$  | 1,476 \$    | 20,283        | \$                       | 6,498 \$  | 417,761 \$   | 103,315          | \$ 2,683 \$ | 129      |  |
| 2017     |    | 9,218     | 1,097       | 21,120        |                          | 5,661     | 419,572      | 101,504          | 2,415       | 35       |  |
| 2018     |    | 9,615     | 702         | 21,992        |                          | 4,790     | 421,443      | 99,632           | -           | -        |  |
| 2019     |    | 7,247     | 335         | 22,899        |                          | 3,882     | 423,376      | 97,700           | -           | -        |  |
| 2020     |    | 5,304     | 67          | 23,844        |                          | 2,937     | 425,373      | 95,702           | -           | -        |  |
| 2021     |    | -         | -           | 24,828        |                          | 1,954     | 427,437      | 93,639           | -           | -        |  |
| 2022     |    | -         | -           | 25,853        |                          | 929       | 384,569      | 91,507           | -           | -        |  |
| 2023     |    | -         | -           | 8,852         |                          | 74        | 386,772      | 89,304           | -           | -        |  |
| 2024     |    | -         | -           | -             |                          | -         | 389,048      | 87,028           | -           | -        |  |
| 2025     |    | -         | -           | -             |                          | -         | 391,400      | 84,676           | -           | -        |  |
| 2026     |    | -         | -           | -             |                          | -         | 393,831      | 82,245           | -           | -        |  |
| 2027     |    | -         | -           | -             |                          | -         | 396,342      | 79,733           | -           | -        |  |
| 2028     |    | -         | -           | -             |                          | -         | 398,939      | 77,137           | -           | -        |  |
| 2029     |    | -         | -           | -             |                          | -         | 401,622      | 74,454           | -           | -        |  |
| 2030     |    | -         | -           | -             |                          | -         | 404,396      | 71,680           | -           | -        |  |
| 2031     |    | -         | -           | -             |                          | -         | 191,143      | 68,814           | -           | -        |  |
| 2032     |    | -         | -           | -             |                          | -         | 194,106      | 65,850           | -           | -        |  |
| 2033     |    | -         | -           | -             |                          | -         | 197,170      | 62,787           | -           | -        |  |
| 2034     |    | -         | -           | -             |                          | -         | 200,336      | 59,620           | -           | -        |  |
| 2035     |    | -         | -           | -             |                          | -         | 203,610      | 56,347           | -           | -        |  |
| 2036     |    | -         | -           | -             |                          | -         | 206,995      | 52,962           | -           | -        |  |
| 2037     |    | -         | -           | -             |                          | -         | 210,495      | 49,462           | -           | -        |  |
| 2038     |    | -         | -           | -             |                          | -         | 208,000      | 45,844           | -           | -        |  |
| 2039     |    | -         | -           | -             |                          | -         | 118,218      | 42,102           | -           | -        |  |
| 2040     |    | -         | -           | -             |                          | -         | 122,087      | 38,233           | -           | -        |  |
| 2041     |    | -         | -           | -             |                          | -         | 126,088      | 34,232           | -           | -        |  |
| 2042     |    | -         | -           | -             |                          | -         | 130,226      | 30,094           | -           | -        |  |
| 2043     |    | -         | -           | -             |                          | -         | 134,505      | 25,815           | -           | -        |  |
| 2044     |    | -         | -           | -             |                          | -         | 138,931      | 21,389           | -           | -        |  |
| 2045     |    | -         | -           | -             |                          | -         | 143,508      | 16,812           | -           | -        |  |
| 2046     |    | -         | -           | -             |                          | -         | 148,243      | 12,077           | -           | -        |  |
| 2047     |    | -         | -           | -             |                          | -         | 137,319      | 7,187            | -           | -        |  |
| 2048     |    | -         | -           | -             |                          | -         | 98,280       | 3,685            | -           | -        |  |
| 2049     |    | -         | -           | -             |                          | -         | 72,578       | 976              | -           | -        |  |
| Total    | \$ | 39,251 \$ | 3,677 \$    | 169,671       | \$                       | 26,725 \$ | 9,063,719 \$ | 2,023,544        | \$ 5,098 \$ | 164      |  |

# NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

# Details of long-term obligations at June 30, 2015 are as follows:

Governmental Activities Obligations:

| Total Notes Payable       \$         General Obligation Bond:       Bond with BB&T for an original amount of \$893,000 issued November 18, 2007, payable in monthly installments of \$2,232 through October 2022, interest at 4.050%       \$         Compensated Absences       \$         Total Governmental Activities Obligations       \$         Business-type Activities Obligations:       \$         Note Payable       \$         Note Payable, USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%       \$         General Obligation Bonds:       \$         \$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%       \$         \$1,070,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%       \$         \$2,030, out SDA Rural Development General Obligation Water Bond issued dated April 25, 2006, payable in quarterly installments of \$414 through October 2046, interest at 4.125%       \$         \$2,038, interest at 0.00%       \$       \$         \$2,032,725 Virginia Resources Authority General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%       \$         \$2,398,000 USDA Rural Development General Obligation Bond, issued March 27, 2009, payable in semi-annual installments of \$125,818 thr  |         |
|---|---------|
| \$274 through August 2018, interest at 4.375%       \$         Note payable, USDA Rural Development, payable in 60 monthly installments of \$586 through December 2019, interest at 4.125%       \$         Total Notes Payable       \$       \$         General Obligation Bond:       \$       \$         Bond with BB&T for an original amount of \$893,000 issued November 18, 2007, payable in monthly installments of \$2,232 through October 2022, interest at 4.050%       \$       1         Compensated Absences       \$       1         Total Governmental Activities Obligations       \$       2         Business-type Activities Obligations:       \$       2         Note payable, USDA Rural Development, payable in 45 monthly installments of \$224 through March 2017, interest at 3.375%       \$  |         |
| \$586 through December 2019, interest at 4.125%       \$         Total Notes Payable       \$         General Obligation Bond:       \$         Bond with BB&T for an original amount of \$893,000 issued November 18, 2007, payable in monthly installments of \$2,232 through October 2022, interest at 4.050%       \$         Compensated Absences       \$         Total Governmental Activities Obligations       \$         Business-type Activities Obligations:       \$         Note Payable       USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%         General Obligation Bonds:       \$         \$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%       \$         \$1,070,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%       \$         \$2,989,099 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2038, interest at 0.00%       \$         \$2,989,099 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%       \$         \$2,398,000 USDA Rural Development General Obligation Bond, issued March 27, 2009, payable in quarterly installments of \$25,491 beginning June 27, 2011 through M  | 7,251   |
| General Obligation Bond:         Bond with BB&T for an original amount of \$893,000 issued November 18, 2007,         payable in monthly installments of \$2,232 through October 2022, interest at         4.050%         Compensated Absences         Total Governmental Activities Obligations         Business-type Activities Obligations:         Note Payable:         Note Payable, USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%         General Obligation Bonds:         \$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%         \$1,070,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%         \$2,030, payable in quarterly installments of \$614 through October 2046, interest at 4.125%         \$2,989,009 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2030, interest at 0.00%         \$2,398,000 USDA Rural Development General Obligation Bond, issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%         \$2,398,000 USDA Rural Development General Obligation Bond, issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%         \$2,398,000 USDA Rural Development General Obligation Bond, issued Septembe   | 32,000  |
| Bond with BB&T for an original amount of \$893,000 issued November 18, 2007,         payable in monthly installments of \$2,232 through October 2022, interest at 4.050%         Compensated Absences       \$  | 39,251  |
| Compensated Absences       \$         Total Governmental Activities Obligations       \$         Business-type Activities Obligations:       \$         Note Payable:       Note Payable, USDA Rural Development, payable in 45 monthly installments of \$2424 through March 2017, interest at 3.375%       \$         General Obligation Bonds:       \$       \$         \$900,000       Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%       \$         \$1,070,000       USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%       \$         \$47,000       USDA Rural Development General Obligation Water Bond issued dated April 25, 2006, payable in quarterly installments of \$614 through October 2046, interest at 4.125%       \$         \$2,989,009       Virginia Resources Authority General Obligation Bond issued September 1, 2009, payable in semi-annual installments of \$49,818 through March 2030, interest at 0.00%       \$         \$2,398,000       USDA Rural Development General Obligation Bonds, issued March 27, 2009, payable in semi-annual installments of \$125,818 through March 2030, interest at 2.75%       \$         \$2,398,000       USDA Rural Development General Obligation Bonds, issued March 27, 2011 through March 2049, interest at 2.75%       \$         Total General Obligation Bonds       \$       9,0 <td></td>  |         |
| Total Governmental Activities Obligations       \$ 2         Business-type Activities Obligations:       * 2         Note Payable:       * 2         Note Payable:       * 2         Note payable, USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%       \$  | 169,671 |
| Business-type Activities Obligations:         Note Payable:         Note payable, USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%       \$         General Obligation Bonds:       \$         \$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%       \$         \$1,070,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%       \$         \$47,000 USDA Rural Development General Obligation Water Bond issued dated April 25, 2006, payable in quarterly installments of \$614 through October 2046, interest at 4.125%       \$         \$2,989,099 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2038, interest at 0.00%       \$         \$2,399,000 USDA Rural Development General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2038, interest at 0.00%       \$         \$2,399,000 USDA Rural Development General Obligation Bond, issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%       \$         \$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27, 2009, payable in quarterly installments of \$25,491 beginning June 27, 2011 through March 2049, interest at 2.75%       \$         \$2,00       \$       9,0                                  | 21,932  |
| Note Payable:         Note payable, USDA Rural Development, payable in 45 monthly installments of \$242 through March 2017, interest at 3.375%       \$   | 230,854 |
| Note payable, USDA Rural Development, payable in 45 monthly installments of<br>\$242 through March 2017, interest at 3.375%\$General Obligation Bonds:<br>\$900,000 Virginia Resources Authority General Obligation Bond issued on<br>December 15, 2000, payable in semi-annual installments of \$22,500 through April<br>2021, interest at 0.00%\$201, interest at 0.00%\$2\$1,070,000 USDA Rural Development General Obligation Bond issued February 1,<br>2007, payable in quarterly installments of \$13,975 through February 2047,<br>interest at 4.125%9\$47,000 USDA Rural Development General Obligation Water Bond issued dated<br>April 25, 2006, payable in quarterly installments of \$614 through October 2046,<br>interest at 4.125%9\$2,989,099 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2008, payable in semi-annual installments of \$49,818 through March<br>2038, interest at 0.00%2,2\$5,032,725 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%3,2\$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0   |         |
| \$242 through March 2017, interest at 3.375%       \$         General Obligation Bonds:       \$         \$900,000 Virginia Resources Authority General Obligation Bond issued on December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%       \$         \$20,000 USDA Rural Development General Obligation Bond issued February 1, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%       \$         \$47,000 USDA Rural Development General Obligation Water Bond issued dated April 25, 2006, payable in quarterly installments of \$614 through October 2046, interest at 4.125%       \$         \$2,989,009 Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2038, interest at 0.00%       \$         \$2,298,000 USDA Rural Development General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%       \$         \$2,298,000 USDA Rural Development General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%       \$         \$2,298,000 USDA Rural Development General Obligation Bonds, issued March 27, 2011 through March 2049, interest at 2.75%       \$         \$2,009, payable in quarterly installments of \$25,491 beginning June 27, 2011 through March 2049, interest at 2.75%       \$         \$2,009       \$       \$       \$         \$2,009       \$       \$       \$ <td></td>   |         |
| \$900,000Virginia Resources Authority General Obligation Bond issued on<br>December 15, 2000, payable in semi-annual installments of \$22,500 through April<br>2021, interest at 0.00%\$\$2\$1,070,000 USDA Rural Development General Obligation Bond issued February 1,<br>2007, payable in quarterly installments of \$13,975 through February 2047,<br>interest at 4.125%\$\$447,000 USDA Rural Development General Obligation Water Bond issued dated<br>April 25, 2006, payable in quarterly installments of \$614 through October 2046,<br>interest at 4.125%\$\$2,989,099Virginia Resources Authority General Obligation Bond issued<br>September 1, 2008, payable in semi-annual installments of \$49,818 through March<br>2038, interest at 0.00%\$\$2,398,000 USDA Rural Development General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%\$\$2,2989,099Virginia Resources Authority General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%\$\$2,2989,000USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%\$\$2,298Yang General Obligation Bonds\$\$3,2\$\$\$40,000Yang Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%\$\$2,2Yang General Obligation Bonds\$\$\$3,0Yang Development General Obligation Bonds, issued March 27, <br< td=""><td>5,098</td></br<> | 5,098   |
| December 15, 2000, payable in semi-annual installments of \$22,500 through April\$2021, interest at 0.00%\$201, interest at 0.00%\$2021, interest at 0.00%\$2007, payable in quarterly installments of \$13,975 through February 1,<br>2007, payable in quarterly installments of \$13,975 through February 2047,<br>interest at 4.125%247,000 USDA Rural Development General Obligation Water Bond issued dated<br>April 25, 2006, payable in quarterly installments of \$614 through October 2046,<br>interest at 4.125%22,989,009 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2008, payable in semi-annual installments of \$49,818 through March<br>2038, interest at 0.00%2,2\$5,032,725 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%2,2,398,000 USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0  |         |
| 2007, payable in quarterly installments of \$13,975 through February 2047,<br>interest at 4.125%9\$47,000 USDA Rural Development General Obligation Water Bond issued dated<br>April 25, 2006, payable in quarterly installments of \$614 through October 2046,<br>interest at 4.125%9\$2,989,099 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2008, payable in semi-annual installments of \$49,818 through March<br>2038, interest at 0.00%2,2\$5,032,725 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%3,2\$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0  | 270,000 |
| April 25, 2006, payable in quarterly installments of \$614 through October 2046,<br>interest at 4.125%\$2,989,099 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2008, payable in semi-annual installments of \$49,818 through March<br>2038, interest at 0.00%\$5,032,725 Virginia Resources Authority General Obligation Bond issued<br>September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%\$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%\$2,2Total General Obligation Bonds  | 986,625 |
| \$2,989,099VirginiaResourcesAuthorityGeneralObligationBondissuedSeptember 1, 2008, payable in semi-annual installments of \$49,818through March2,2\$5,032,725VirginiaResourcesAuthorityGeneralObligationBondissued\$5,032,725VirginiaResourcesAuthorityGeneralObligationBondissued\$5,032,725VirginiaResourcesAuthorityGeneralObligationBondissued\$2,238,000payable in semi-annualinstallments of \$125,818through3,2\$2,398,000USDARuralDevelopmentGeneralObligationBonds, issuedMarch 27,\$209, payable in quarterlyinstallments of \$25,491beginningJune 27, 20112,2TotalGeneralObligationBonds\$9,0  | 43,334  |
| September 1, 2008, payable in semi-annual installments of \$49,818 through March2,22038, interest at 0.00%2,2\$5,032,725Virginia Resources Authority General Obligation Bond issuedSeptember 1, 2009payable in semi-annual installments of \$125,818 throughMarch 2030, interest at 0.00%3,2\$2,398,000USDA Rural Development General Obligation Bonds, issued March 27,2009, payable in quarterly installments of \$25,491 beginning June 27, 2011through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0   | 10,001  |
| \$5,032,725VirginiaResourcesAuthorityGeneralObligationBondissuedSeptember 1, 2009payable in semi-annual installments of\$125,818throughMarch 2030, interest at 0.00%3,2\$2,398,000USDARuralDevelopmentGeneralObligationBonds, issuedMarch 27,2009, payable in quarterly installments of\$25,491beginningJune 27, 20112,2throughMarch 2049, interest at 2.75%2,2TotalGeneralObligation\$9,0  | 285,530 |
| September 1, 2009 payable in semi-annual installments of \$125,818 through<br>March 2030, interest at 0.00%3,2\$2,398,000 USDA Rural Development General Obligation Bonds, issued March 27,<br>2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0  | ,       |
| 2009, payable in quarterly installments of \$25,491 beginning June 27, 2011<br>through March 2049, interest at 2.75%2,2Total General Obligation Bonds\$ 9,0   | 241,791 |
| Total General Obligation Bonds \$ 9,0   | 026 420 |
|   | 236,439 |
| Compensated Absences  | )63,719 |
|   | 13,448  |
| Total Business-type Activities Obligations \$ 9,0   | )82,265 |

#### NOTE 6-UNEARNED/UNAVAILABLE REVENUE:

Unearned/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable/unearned revenue is comprised of the following:

<u>Unavailable Property Tax Revenue</u> - Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$73,969 at June 30, 2015.

<u>Unearned Revenue Proprietary Funds</u> - The Town has received funds from the state and federal government to aid in funding for the wastewater treatment plant. These amounts total \$199,973 at June 30, 2015.

## NOTE 7-DUE TO / FROM OTHER FUNDS:

Interfund receivables and payables at year end are as follows:

| Fund            |    | Receivable | <br>Payable   |
|-----------------|----|------------|---------------|
| Water and Sewer | \$ | -          | \$<br>339,789 |
| Rehabilitation  |    | 92,989     | -             |
| General         | _  | 339,789    | 92,989        |
| Total           | \$ | 432,778    | \$<br>432,778 |

#### NOTE 8–PENSION PLAN:

#### A. Plan Description

#### Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

## Plan Description (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| RETIREMENT PLAN PROVISIONS  |   |  |  |  |  |  |  |  |
|---|---|--|--|--|--|--|--|--|
| PLAN 1  | PLAN 2  | HYBRID RETIREMENT PLAN   |  |  |  |  |  |  |
| About Plan 1<br>Plan 1 is a defined benefit plan.<br>The retirement benefit is based<br>on a member's age, creditable<br>service and average final<br>compensation at retirement using<br>a formula. Employees are eligible<br>for Plan 1 if their membership<br>date is before July 1, 2010, and<br>they were vested as of January 1,<br>2013. | About Plan 2<br>Plan 2 is a defined benefit plan.<br>The retirement benefit is based<br>on a member's age, creditable<br>service and average final<br>compensation at retirement using<br>a formula. Employees are eligible<br>for Plan 2 if their membership<br>date is on or after July 1, 2010,<br>or their membership date is<br>before July 1, 2010, and they<br>were not vested as of January 1,<br>2013. | <ul> <li>About the Hybrid Retirement Plan</li> <li>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</li> <li>The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul> |  |  |  |  |  |  |

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |   |  |  |  |  |  |  |  |
|--|---|--|--|--|--|--|--|--|
| PLAN 1   | PLAN 2  | HYBRID RETIREMENT PLAN   |  |  |  |  |  |  |
| About Plan 1 (Cont.)   | About Plan 2 (Cont.)  | <ul> <li>About the Hybrid Retirement<br/>Plan (Cont.)</li> <li>In addition to the monthly<br/>benefit payment payable<br/>from the defined benefit<br/>plan at retirement, a<br/>member may start receiving<br/>distributions from the<br/>balance in the defined<br/>contribution account,<br/>reflecting the contributions,<br/>investment gains or losses,<br/>and any required fees.</li> </ul>  |  |  |  |  |  |  |
| <ul> <li>Eligible Members</li> <li>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</li> <li>Hybrid Opt-In Election</li> <li>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</li> <li>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</li> <li>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</li> </ul> | <ul> <li>Eligible Members</li> <li>Employees are in Plan 2 if their membership date is on or after</li> <li>July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of</li> <li>January 1, 2013.</li> <li>Hybrid Opt-In Election</li> <li>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</li> <li>The Hybrid Retirement Plan 2 members vere anter swho opted in was July 1, 2014.</li> <li>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</li> </ul> | <ul> <li>Eligible Members</li> <li>Employees are in the Hybrid</li> <li>Retirement Plan if their</li> <li>membership date is on or after</li> <li>January 1, 2014. This includes: <ul> <li>Political subdivision</li> <li>employees*</li> </ul> </li> <li>Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> <li>*Non-Eligible Members</li> <li>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> </li> </ul> |  |  |  |  |  |  |

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  | UED)   |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| Hybrid Opt-In Election (Cont.)<br>Members who were eligible for an<br>optional retirement plan (ORP)<br>and had prior service under Plan<br>1 were not eligible to elect the<br>Hybrid Retirement Plan and<br>remain as Plan 1 or ORP.  | Hybrid Opt-In Election (Cont.)<br>Members who were eligible for an<br>optional retirement plan (ORP)<br>and have prior service under Plan<br>2 were not eligible to elect the<br>Hybrid Retirement Plan and<br>remain as Plan 2 or ORP.  | *Non-Eligible Members (Cont.)<br>Those employees eligible for an<br>optional retirement plan (ORP)<br>must elect the ORP plan or the<br>Hybrid Retirement Plan. If these<br>members have prior service under<br>Plan 1 or Plan 2, they are not<br>eligible to elect the Hybrid<br>Retirement Plan and must select<br>Plan 1 or Plan 2 (as applicable) or<br>ORP.   |
| Retirement Contributions<br>Employees contribute 5% of their<br>compensation each month to<br>their member contribution<br>account through a pre-tax salary<br>reduction. Some political<br>subdivisions elected to phase in<br>the required 5% member<br>contribution but all employees<br>will be paying the full 5% by July<br>1, 2016. Member contributions<br>are tax-deferred until they are<br>withdrawn as part of a retirement<br>benefit or as a refund. The<br>employer makes a separate<br>actuarially determined<br>contribution to VRS for all<br>covered employees. VRS invests<br>both member and employer<br>contributions to provide funding<br>for the future benefit payment. | Retirement Contributions<br>Employees contribute 5% of their<br>compensation each month to<br>their member contribution<br>account through a pre-tax salary<br>reduction. Some political<br>subdivisions elected to phase in<br>the required 5% member<br>contribution but all employees<br>will be paying the full 5% by July<br>1, 2016. | Retirement Contributions<br>A member's retirement benefit is<br>funded through mandatory and<br>voluntary contributions made by<br>the member and the employer to<br>both the defined benefit and the<br>defined contribution components<br>of the plan. Mandatory<br>contributions are based on a<br>percentage of the employee's<br>creditable compensation and are<br>required from both the member<br>and the employer. Additionally,<br>members may choose to make<br>voluntary contributions to the<br>defined contribution component<br>of the plan, and the employer is<br>required to match those<br>voluntary contributions according<br>to specified percentages. |

# NOTE 8-PENSION PLAN: (CONTINUED)

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |                                       |   |
|---|---------------------------------------|---|
| PLAN 1  | PLAN 2                                | HYBRID RETIREMENT PLAN  |
| Creditable Service<br>Creditable service includes active<br>service. Members earn creditable<br>service for each month they are<br>employed in a covered position.<br>It also may include credit for<br>prior service the member has<br>purchased or additional<br>creditable service the member<br>was granted. A member's total<br>creditable service is one of the<br>factors used to determine their<br>eligibility for retirement and to<br>calculate their retirement<br>benefit. It also may count toward<br>eligibility for the health insurance<br>credit in retirement, if the<br>employer offers the health<br>insurance credit. | Creditable Service<br>Same as Plan 1. | Creditable Service<br>Defined Benefit Component:<br>Under the defined benefit<br>component of the plan,<br>creditable service includes active<br>service. Members earn creditable<br>service for each month they are<br>employed in a covered position.<br>It also may include credit for<br>prior service the member has<br>purchased or additional<br>creditable service the member<br>was granted. A member's total<br>creditable service is one of the<br>factors used to determine their<br>eligibility for retirement and to<br>calculate their retirement<br>benefit. It also may count toward<br>eligibility for the health insurance<br>credit in retirement, if the<br>employer offers the health<br>insurance credit.<br>Defined Contributions<br>Component:<br>Under the defined contribution<br>component, creditable service is<br>used to determine vesting for the<br>employer contribution portion of<br>the plan. |

# NOTE 8-PENSION PLAN: (CONTINUED)

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |                            |   |
|--|----------------------------|---|
| PLAN 1   | PLAN 2                     | HYBRID RETIREMENT PLAN  |
| Vesting<br>Vesting is the minimum length of<br>service a member needs to<br>qualify for a future retirement<br>benefit. Members become vested<br>when they have at least five<br>years (60 months) of creditable<br>service. Vesting means members<br>are eligible to qualify for<br>retirement if they meet the age<br>and service requirements for<br>their plan. Members also must be<br>vested to receive a full refund of<br>their member contribution<br>account balance if they leave<br>employment and request a<br>refund.<br>Members are always 100% vested<br>in the contributions that they<br>make. | Vesting<br>Same as Plan 1. | Vesting<br>Defined Benefit Component:<br>Defined benefit vesting is the<br>minimum length of service a<br>member needs to qualify for a<br>future retirement benefit.<br>Members are vested under the<br>defined benefit component of the<br>Hybrid Retirement Plan when<br>they reach five years (60 months)<br>of creditable service.<br>Plan 1 or Plan 2 members with at<br>least five years (60 months) of<br>creditable service who opted into<br>the Hybrid Retirement Plan<br>remain vested in the defined<br>benefit component.<br>Defined Contributions<br>Component:<br>Defined contribution vesting<br>refers to the minimum length of<br>service a member needs to be<br>eligible to withdraw the employer<br>contributions from the defined<br>contribution component of the<br>plan.<br>Members are always 100% vested<br>in the contributions that they<br>make. |

# NOTE 8-PENSION PLAN: (CONTINUED)

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |   | UED)   |
|---|---|--|
| PLAN 1  | PLAN 2  | HYBRID RETIREMENT PLAN   |
| Vesting (Cont.)   | Vesting (Cont.)   | <ul> <li>Vesting (Cont.)<br/><u>Defined Contributions</u><br/><u>Component:</u> (Cont.)<br/>Upon retirement or leaving<br/>covered employment, a member<br/>is eligible to withdraw a<br/>percentage of employer<br/>contributions to the defined<br/>contribution component of the<br/>plan, based on service.</li> <li>After two years, a member<br/>is 50% vested and may<br/>withdraw 50% of employer<br/>contributions.</li> <li>After three years, a member<br/>is 75% vested and may<br/>withdraw 75% of employer<br/>contributions.</li> <li>After four or more years, a<br/>member is 100% vested and<br/>may withdraw 100% of<br/>employer contributions.</li> <li>Distribution is not required by law<br/>until age 70½.</li> </ul> |
| <b>Calculating the Benefit</b><br>The Basic Benefit is calculated<br>based on a formula using the<br>member's average final<br>compensation, a retirement<br>multiplier and total service credit<br>at retirement. It is one of the<br>benefit payout options available<br>to a member at retirement. | Calculating the Benefit<br>See definition under Plan 1. | Calculating the Benefit<br><u>Defined Benefit Component:</u><br>See definition under Plan 1  |

# NOTE 8-PENSION PLAN: (CONTINUED)

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  |  |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| Calculating the Benefit (Cont.)<br>An early retirement reduction<br>factor is applied to the Basic<br>Benefit if the member retires<br>with a reduced retirement<br>benefit or selects a benefit<br>payout option other than the<br>Basic Benefit.  | Calculating the Benefit (Cont.)  | Calculating the Benefit (Cont.)<br><u>Defined Contribution</u><br><u>Component:</u><br>The benefit is based on<br>contributions made by the<br>member and any matching<br>contributions made by the<br>employer, plus net investment<br>earnings on those contributions.   |
| Average Final Compensation<br>A member's average final<br>compensation is the average of<br>the 36 consecutive months of<br>highest compensation as a<br>covered employee.  | Average Final Compensation<br>A member's average final<br>compensation is the average of<br>their 60 consecutive months of<br>highest compensation as a<br>covered employee.   | Average Final Compensation<br>Same as Plan 2. It is used in the<br>retirement formula for the<br>defined benefit component of the<br>plan.   |
| Service Retirement Multiplier<br>VRS: The retirement multiplier is<br>a factor used in the formula to<br>determine a final retirement<br>benefit. The retirement<br>multiplier for non-hazardous duty<br>members is 1.70%.<br>Sheriffs and regional jail<br>superintendents: The retirement<br>multiplier for sheriffs and<br>regional jail superintendents is<br>1.85%.<br>Political subdivision hazardous<br>duty employees: The retirement<br>multiplier of eligible political<br>subdivision hazardous duty<br>employees other than sheriffs and<br>regional jail superintendents is<br>1.70% or 1.85% as elected by the<br>employer. | Service Retirement Multiplier<br>VRS: Same as Plan 1 for service<br>earned, purchased or granted<br>prior to January 1, 2013. For non-<br>hazardous duty members the<br>retirement multiplier is 1.65% for<br>creditable service earned,<br>purchased or granted on or after<br>January 1, 2013.<br>Sheriffs and regional jail<br>superintendents: Same as Plan 1.<br>Political subdivision hazardous<br>duty employees: Same as Plan 1. | Service Retirement Multiplier<br><u>Defined Benefit Component:</u><br>VRS: The retirement multiplier<br>for the defined benefit<br>component is 1.00%.<br>For members who opted into the<br>Hybrid Retirement Plan from Plan<br>1 or Plan 2, the applicable<br>multipliers for those plans will be<br>used to calculate the retirement<br>benefit for service credited in<br>those plans.<br>Sheriffs and regional jail<br>superintendents: Not applicable.<br>Political subdivision hazardous<br>duty employees: Not applicable.<br><u>Defined Contribution</u><br><u>Component:</u><br>Not applicable. |

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  | IUED)  |
|--|--|--|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN   |
| Normal Retirement Age<br>VRS: Age 65.<br>Political subdivisions hazardous<br>duty employees: Age 60.   | Normal Retirement Age<br>VRS: Normal Social Security<br>retirement age.<br>Political subdivisions hazardous<br>duty employees: Same as Plan 1.   | Normal Retirement Age<br><u>Defined Benefit Component:</u><br>VRS: Same as Plan 2.<br>Political subdivisions hazardous<br>duty employees: Not applicable.<br><u>Defined Contribution</u><br><u>Component:</u><br>Members are eligible to receive<br>distributions upon leaving<br>employment, subject to<br>restrictions.  |
| Earliest Unreduced Retirement<br>Eligibility<br>VRS: Age 65 with at least five<br>years (60 months) of creditable<br>service or at age 50 with at least<br>30 years of creditable service.<br>Political subdivisions hazardous<br>duty employees: Age 60 with at<br>least five years of creditable<br>service or age 50 with at least 25<br>years of creditable service. | Earliest Unreduced Retirement<br>Eligibility<br>VRS: Normal Social Security<br>retirement age with at least five<br>years (60 months) of creditable<br>service or when their age and<br>service equal 90.<br>Political subdivisions hazardous<br>duty employees: Same as Plan 1. | Earliest Unreduced Retirement<br>Eligibility<br>Defined Benefit Component:<br>VRS: Normal Social Security<br>retirement age and have at least<br>five years (60 months) of<br>creditable service or when their<br>age and service equal 90.<br>Political subdivisions hazardous<br>duty employees: Not applicable.<br>Defined Contribution<br>Component:<br>Members are eligible to receive<br>distributions upon leaving<br>employment, subject to<br>restrictions. |
| Earliest Reduced Retirement<br>Eligibility<br>VRS: Age 55 with at least five<br>years (60 months) of creditable<br>service or age 50 with at least 10<br>years of creditable service.  | Earliest Reduced Retirement<br>Eligibility<br>VRS: Age 60 with at least five<br>years (60 months) of creditable<br>service.  | Earliest Reduced Retirement<br>Eligibility<br><u>Defined Benefit Component:</u><br>VRS: Members may retire with a<br>reduced benefit as early as age<br>60 with at least five years (60<br>months) of creditable service.  |

| RETIREMENT PLAN PROVISIONS (CONTINUED)   |  |  |
|--|--|--|
| PLAN 1   | PLAN 2   | HYBRID RETIREMENT PLAN   |
| Earliest Reduced Retirement<br>Eligibility (Cont.)   | Earliest Reduced Retirement<br>Eligibility (Cont.)   | Earliest Reduced Retirement<br>Eligibility (Cont.)   |
| Political subdivisions hazardous<br>duty employees: 50 with at least<br>five years of creditable service.  | Political subdivisions hazardous<br>duty employees: Same as Plan 1.  | Political subdivisions hazardous<br>duty employees: Not applicable.<br>Defined Contribution<br><u>Component:</u><br>Members are eligible to receive<br>distributions upon leaving<br>employment, subject to<br>restrictions. |
| Cost-of-Living Adjustment<br>(COLA) in Retirement<br>The Cost-of-Living Adjustment<br>(COLA) matches the first 3%<br>increase in the Consumer Price<br>Index for all Urban Consumers<br>(CPI-U) and half of any additional<br>increase (up to 4%) up to a<br>maximum COLA of 5%.<br><u>Eligibility:</u><br>For members who retire with an<br>unreduced benefit or with a<br>reduced benefit with at least 20<br>years of creditable service, the<br>COLA will go into effect on July 1<br>after one full calendar year from<br>the retirement date.<br>For members who retire with a<br>reduced benefit and who have<br>less than 20 years of creditable<br>service, the COLA will go into<br>effect on July 1 after one<br>calendar year following the<br>unreduced retirement eligibility<br>date. | Cost-of-Living Adjustment<br>(COLA) in Retirement<br>The Cost-of-Living Adjustment<br>(COLA) matches the first 2%<br>increase in the CPI-U and half of<br>any additional increase (up to<br>2%), for a maximum COLA of 3%.<br>Eligibility:<br>Same as Plan 1 | Cost-of-Living Adjustment<br>(COLA) in Retirement<br>Defined Benefit Component:<br>Same as Plan 2.<br>Defined Contribution<br>Component:<br>Not applicable.<br>Eligibility:<br>Same as Plan 1 and Plan 2.                    |

# NOTE 8-PENSION PLAN: (CONTINUED)

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |   | IUED)   |
|---|---|---|
| PLAN 1  | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <ul> <li>Cost-of-Living Adjustment<br/>(COLA) in Retirement (Cont.)</li> <li>Exceptions to COLA Effective<br/>Dates:<br/>The COLA is effective July 1<br/>following one full calendar year<br/>(January 1 to December 31) under<br/>any of the following<br/>circumstances: <ul> <li>The member is within five<br/>years of qualifying for an<br/>unreduced retirement<br/>benefit as of January 1,<br/>2013.</li> <li>The member retires directly<br/>from short-term or long-<br/>term disability under the<br/>Virginia Sickness and<br/>Disability Program (VSDP).</li> <li>The member is involuntarily<br/>separated from employment<br/>for causes other than job<br/>performance or misconduct<br/>and is eligible to retire<br/>under the Workforce<br/>Transitional Benefits<br/>Program.</li> </ul> </li> <li>The member dies in service<br/>and the member's survivor<br/>or beneficiary is eligible for<br/>a monthly death-in-service<br/>benefit. The COLA will go<br/>into effect on July 1<br/>following one full calendar<br/>year (January 1 to<br/>December 31) from the date<br/>the monthly benefit begins.</li> </ul> | Cost-of-Living Adjustment<br>(COLA) in Retirement (Cont.)<br><u>Exceptions to COLA Effective</u><br><u>Dates:</u><br>Same as Plan 1 | Cost-of-Living Adjustment<br>(COLA) in Retirement (Cont.)<br>Exceptions to COLA Effective<br>Dates:<br>Same as Plan 1 and Plan 2. |

| RETIREMENT PLAN PROVISIONS (CONTINUED)  |  | UED)   |
|---|--|--|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN   |
| Disability Coverage<br>Members who are eligible to be<br>considered for disability<br>retirement and retire on<br>disability, the retirement<br>multiplier is 1.7% on all service,<br>regardless of when it was earned,<br>purchased or granted.<br>VSDP members are subject to a<br>one-year waiting period before<br>becoming eligible for non-work-<br>related disability benefits.  | Disability Coverage<br>Members who are eligible to be<br>considered for disability<br>retirement and retire on<br>disability, the retirement<br>multiplier is 1.65% on all service,<br>regardless of when it was earned,<br>purchased or granted.<br>VSDP members are subject to a<br>one-year waiting period before<br>becoming eligible for non-work<br>related disability benefits. | Disability Coverage<br>Employees of political<br>subdivisions (including Plan 1 and<br>Plan 2 opt-ins) participate in the<br>Virginia Local Disability Program<br>(VLDP) unless their local<br>governing body provides an<br>employer-paid comparable<br>program for its members.<br>Hybrid members (including Plan 1<br>and Plan 2 opt-ins) covered under<br>VLDP are subject to a one-year<br>waiting period before becoming<br>eligible for non-work-related<br>disability benefits.  |
| Purchase of Prior Service<br>Members may be eligible to<br>purchase service from previous<br>public employment, active duty<br>military service, an eligible<br>period of leave or VRS refunded<br>service as creditable service in<br>their plan. Prior creditable<br>service counts toward vesting,<br>eligibility for retirement and the<br>health insurance credit. Only<br>active members are eligible to<br>purchase prior service. When<br>buying service, members must<br>purchase their most recent period<br>of service first. Members also<br>may be eligible to purchase<br>periods of leave without pay. | Purchase of Prior Service<br>Same as Plan 1.   | <ul> <li>Purchase of Prior Service<br/><u>Defined Benefit Component:</u><br/>Same as Plan 1, with the<br/>following exceptions:</li> <li>Hybrid Retirement Plan<br/>members are ineligible for<br/>ported service.</li> <li>The cost for purchasing<br/>refunded service is the<br/>higher of 4% of creditable<br/>compensation or average<br/>final compensation.</li> <li>Plan members have one year<br/>from their date of hire or<br/>return from leave to<br/>purchase all but refunded<br/>prior service at approximate<br/>normal cost. After that one-<br/>year period, the rate for<br/>most categories of service<br/>will change to actuarial cost.</li> <li><u>Defined Contribution</u><br/><u>Component:</u><br/>Not applicable.</li> </ul> |

## Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <u>http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf</u> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | Number |
|--|--------|
| Inactive members or their beneficiaries currently receiving benefits | 6      |
| Inactive members:  |        |
| Vested inactive members  | 3      |
| Non-vested inactive members  | 3      |
| Inactive members active elsewhere in VRS                             | 7      |
| Total inactive members   | 13     |
| Active members   | 15     |
| Total covered employees  | 34     |
|  |        |

#### Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 6.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$35,729 and \$32,602 for the years ended June 30, 2015 and June 30, 2014, respectively.

#### Net Pension Liability

The Town's net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

## 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, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

#### Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Notes to Financial Statements June 30, 2015 (Continued)

#### NOTE 8-PENSION PLAN: (CONTINUED)

#### Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

#### Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Notes to Financial Statements June 30, 2015 (Continued)

#### NOTE 8-PENSION PLAN: (CONTINUED)

#### Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## 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:

|                           | Target        | Arithmetic<br>Long-Term<br>Expected | Weighted<br>Average<br>Long-Term<br>Expected |
|---------------------------|---------------|-------------------------------------|--|
| Asset Class (Strategy)    | Allocation    | Rate of Return                      | Rate of Return                               |
| U.S. Equity               | 19.50%        | 6.46%                               | 1.26%  |
| Developed Non U.S. Equity | 16.50%        | 6.28%                               | 1.04%  |
| Emerging Market Equity    | 6.00%         | 10.00%                              | 0.60%  |
| Fixed Income              | 15.00%        | 0.09%                               | 0.01%  |
| Emerging Debt             | 3.00%         | 3.51%                               | 0.11%  |
| Rate Sensitive Credit     | 4.50%         | 3.51%                               | 0.16%  |
| Non Rate Sensitive Credit | 4.50%         | 5.00%                               | 0.23%  |
| Convertibles              | 3.00%         | 4.81%                               | 0.14%  |
| Public Real Estate        | 2.25%         | 6.12%                               | 0.14%  |
| Private Real Estate       | 12.75%        | 7.10%                               | 0.91%  |
| Private Equity            | 12.00%        | 10.41%                              | 1.25%  |
| Cash                      | 1.00%         | -1.50%                              | -0.02%                                       |
| Total                     | 100.00%       |                                     | 5.83%  |
|                           |               | Inflation                           | 2.50%  |
| *Exp                      | ected arithme | tic nominal return                  | 8.33%  |

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

## Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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 (Asset)

|                                     |    | Primary Government<br>Increase (Decrease) |    |  |     |  |  |  |
|-------------------------------------|----|---|----|--|-----|--|--|--|
|                                     | _  | Total<br>Pension<br>Liability<br>(a)      |    | Plan<br>Fiduciary<br>Net Position<br>(b) |     | Net<br>Pension<br>Liability (Asset)<br>(a) - (b) |  |  |
| Balances at June 30, 2013           | \$ | 1,154,473                                 | \$ | 1,299,741                                | \$_ | (145,268)  |  |  |
| Changes for the year:               |    |   |    |  |     |  |  |  |
| Service cost                        | \$ | 72,307                                    | \$ | -  | \$  | 72,307   |  |  |
| Interest                            |    | 79,678                                    |    | -  |     | 79,678   |  |  |
| Contributions - employer            |    | -   |    | 32,602                                   |     | (32,602)   |  |  |
| Contributions - employee            |    | -   |    | 29,051                                   |     | (29,051)   |  |  |
| Net investment income               |    | -   |    | 208,152                                  |     | (208,152)  |  |  |
| Benefit payments, including refunds |    |   |    |  |     |  |  |  |
| of employee contributions           |    | (32,429)                                  |    | (32,429)                                 |     | -  |  |  |
| Administrative expenses             |    | -   |    | (1,086)                                  |     | 1,086  |  |  |
| Other changes                       |    | -   |    | 11                                       |     | (11)   |  |  |
| Net changes                         | \$ | 119,556                                   | \$ | 236,301                                  | \$  | (116,745)  |  |  |
| Balances at June 30, 2014           | \$ | 1,274,029                                 | \$ | 1,536,042                                | \$  | (262,013)  |  |  |

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

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

|                               | Rate     |           |           |  |  |  |  |
|-------------------------------|----------|-----------|-----------|--|--|--|--|
| _                             | (6.00%)  | (7.00%)   | (8.00%)   |  |  |  |  |
| Town                          |          |           |           |  |  |  |  |
| Net Pension Liability (Asset) | (61,813) | (262,013) | (427,172) |  |  |  |  |

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

For the year ended June 30, 2015, the Town recognized pension expense of \$8,805. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | ferred Outflows<br>of Resources | <br>Deferred Inflows<br>of Resources |  |
|--|---------------------------------|--------------------------------------|--|
| Net difference between projected and actual earnings on pension plan investments | \$<br>-                         | \$<br>92,948                         |  |
| Employer contributions subsequent to the measurement date                        | <br>35,729                      | <br>                                 |  |
| Total  | \$<br>35,729                    | \$<br>92,948                         |  |

\$35,729 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 |                |
|--------------------|----------------|
|                    |                |
| 2016               | \$<br>(23,237) |
| 2017               | (23,237)       |
| 2018               | (23,237)       |
| 2019               | (23,237)       |
| Thereafter         | -              |

Notes to Financial Statements June 30, 2015 (Continued)

#### NOTE 9-CONTINGENT LIABILITIES:

The Town participates in a number of federally assisted grant programs. Although the Town has been audited in accordance with the provisions of OMB Circular A-133 in previous year, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, would be immaterial.

At June 30, 2015, 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-SURETY BONDS:

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

#### NOTE 11-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 12-UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pension plans that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

| Notes to | <b>Financial Statements</b> |  |
|----------|-----------------------------|--|
| June 30, | 2015 (Continued)            |  |

#### NOTE 12-UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

**Required Supplementary Information** 

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## Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund Year Ended June 30, 2015

|   |     | General Fund  |      |  |    |   |  |  |
|---|-----|---|------|--|----|---|--|--|
|   | _   | Original<br>Budget  |      | Budget<br>As<br>Amended  |    | Actual  | Variance<br>From<br>Amended<br>Budget<br>Positive<br>(Negative)                    |  |
| Revenues:<br>General property taxes<br>Other local taxes<br>Fines and forfeitures<br>Revenue from use of money and property<br>Charges for services<br>Miscellaneous<br>Intergovernmental:<br>Commonwealth<br>Federal | \$  | 507,300<br>379,300<br>10,000<br>35,000<br>172,550<br>75,000<br>45,850 | \$   | 507,300<br>379,300<br>10,000<br>35,000<br>172,550<br>68,413<br>45,850<br>7,047 | \$ | 440,035 \$<br>428,063<br>18,946<br>29,574<br>155,977<br>20,855<br>104,872<br>33,621 | (67,265)<br>48,763<br>8,946<br>(5,426)<br>(16,573)<br>(47,558)<br>59,022<br>26,574 |  |
| Total revenues<br>Expenditures:<br>Current:   | \$_ | 1,225,000   | \$   | 1,225,460  | \$ | 1,231,943 \$  | 6,483  |  |
| General government administration<br>Public safety<br>Public works<br>Parks, recreation and cultural<br>Nondepartmental<br>Debt service:<br>Principal retirement  | \$  | 292,628<br>352,956<br>290,686<br>121,010<br>15,364<br>26,782          | \$   | 310,098<br>357,246<br>290,686<br>121,010<br>10,364<br>26,782                   | \$ | 299,455 \$<br>378,356<br>271,733<br>167,883<br>344<br>24,718                        | 10,643<br>(21,110)<br>18,953<br>(46,873)<br>10,020<br>2,064                        |  |
| Interest and other fiscal charges   | _   | 20,702  |      |  |    | 8,280   | (8,280)  |  |
| Total expenditures  | \$  | 1,099,426   | \$   | 1,116,186  | \$ | 1,150,769 \$  | (34,583)   |  |
| Excess (deficiency) of revenues<br>over (under) expenditures  | \$  | 125,574   | \$   | 109,274  | \$ | 81,174_\$   | (28,100)   |  |
| Other financing sources (uses):<br>Issuance of note payable<br>Transfers in   | \$  | -   | \$   | -  | \$ | 32,000 \$<br>4,108  | 32,000<br>4,108  |  |
| Total other financing sources (uses)  | \$  | -   | _\$_ | -  | \$ | 36,108_\$   | 36,108   |  |
| Changes in fund balance   | \$  | 125,574   | \$   | 109,274  | \$ | 117,282 \$  | 8,008  |  |
| Fund balance at beginning of year   | _   | -   |      | -  |    | 230,515   | 230,515  |  |
| Fund balance at end of year   | \$_ | 125,574   | _\$_ | 109,274  | \$ | 347,797_\$  | 238,523  |  |

Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios Year Ended June 30, 2015

|   |    | 2014      |
|---|----|-----------|
| Total pension liability   | -  |           |
| Service cost  | \$ | 72,307    |
| Interest  |    | 79,678    |
| Benefit payments, including refunds of employee contributions                                     |    | (32,429)  |
| Net change in total pension liability   | \$ | 119,556   |
| Total pension liability - beginning   |    | 1,154,473 |
| Total pension liability - ending (a)  | \$ | 1,274,029 |
| Plan fiduciary net position   |    |           |
| Contributions - employer  | \$ | 32,602    |
| Contributions - employee  |    | 29,051    |
| Net investment income   |    | 208,152   |
| Benefit payments, including refunds of employee contributions                                     |    | (32,429)  |
| Administrative expense  |    | (1,086)   |
| Other   |    | 11        |
| Net change in plan fiduciary net position   | \$ | 236,301   |
| Plan fiduciary net position - beginning   |    | 1,299,741 |
| Plan fiduciary net position - ending (b)  | \$ | 1,536,042 |
| Political subdivision's net pension liability (asset) - ending (a) - (b)                          | \$ | (262,013) |
| Plan fiduciary net position as a percentage of the total<br>pension liability                     |    | 120.57%   |
| Covered-employee payroll  | \$ | 582,194   |
| Political subdivision's net pension liability (asset) as a percentage of covered-employee payroll |    | -45.00%   |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

| Schedule of Employer Contributions |
|------------------------------------|
| Year Ended June 30, 2015           |

|      |    |                          | Contributions in<br>Relation to |                            | Employer's          | Contributions<br>as a % of |
|------|----|--------------------------|---------------------------------|----------------------------|---------------------|----------------------------|
|      | C  | ontractually<br>Required | Contractually<br>Required       | Contribution<br>Deficiency | Covered<br>Employee | Covered<br>Employee        |
| Date | C  | ontribution<br>(1)       | Contribution<br>(2)             | (Excess)<br>(3)            | Payroll<br>(4)      | Payroll<br>(5)             |
| 2015 | \$ | 35,729                   | \$<br>35,729                    | \$<br>-                    | \$<br>593,511       | 6.02%                      |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information Year Ended June 30, 2015

**Changes of benefit terms** - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Other Supplementary Information

Combining Fund Financial Statements

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

|                                 | Re | Housing<br>habilitation<br>Fund | <br>Police<br>Seizure<br>Fund | <br>Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------|----|---------------------------------|-------------------------------|--|
| REVENUES                        |    |                                 |                               |  |
| Revenue from the use of money   | \$ | 57                              | \$<br>-                       | \$<br>57                                       |
| Total revenues                  | \$ | 57                              | \$<br>-                       | \$<br>57                                       |
| Other financing sources (uses): |    |                                 |                               |  |
| Transfers (out)                 | \$ | -                               | \$<br>(4,108)                 | \$<br>(4,108)                                  |
| Net change in fund balances     | \$ | 57                              | \$<br>(4,108)                 | \$<br>(4,051)                                  |
| Fund balances - beginning       |    | 145,725                         | <br>4,108                     | <br>149,833                                    |
| Fund balances - ending          | \$ | 145,782                         | \$<br>-                       | \$<br>145,782                                  |

Supporting Schedules

| Fund, Major and Minor Revenue Source         |    | Original<br>Budget |        | Budget<br>As<br>Amended | <br>Actual    | <br>Variance<br>From<br>Amended<br>Budget<br>Positive<br>(Negative) |
|--|----|--------------------|--------|-------------------------|---------------|---|
| General Fund                                 |    |                    |        |                         |               |   |
| Revenue from local sources:                  |    |                    |        |                         |               |   |
| General property taxes:                      |    |                    |        |                         |               |   |
| Real property taxes                          | \$ | 300,000            | \$     | 300,000                 | \$<br>309,687 | \$<br>9,687   |
| Public service corporation taxes             |    | 17,300             |        | 17,300                  | 14,968        | (2,332)   |
| Personal property taxes                      |    | 180,000            |        | 180,000                 | 95,259        | (84,741)  |
| Penalties and interest                       |    | 10,000             |        | 10,000                  | <br>20,121    | <br>10,121  |
| Total general property taxes                 | \$ | 507,300            | \$     | 507,300                 | \$<br>440,035 | \$<br>(67,265)  |
| Other local taxes:                           |    |                    |        |                         |               |   |
| Local sales and use taxes                    | \$ | 82,000             | \$     | 82,000                  | \$<br>66,873  | \$<br>(15,127)  |
| Consumers' utility taxes                     |    | 135,000            |        | 135,000                 | 145,681       | 10,681  |
| Business license taxes                       |    | 32,000             |        | 32,000                  | 42,057        | 10,057  |
| Motor vehicle licenses                       |    | 18,500             |        | 18,500                  | 12,962        | (5,538)   |
| Bank franchise tax                           |    | 14,300             |        | 14,300                  | 37,560        | 23,260  |
| Transient occupancy tax                      |    | 10,000             |        | 10,000                  | 9,244         | (756)   |
| Meals taxes                                  |    | 87,500             |        | 87,500                  | <br>113,686   | <br>26,186  |
| Total other local taxes                      | \$ | 379,300            | \$     | 379,300                 | \$<br>428,063 | \$<br>48,763  |
| Fines and Forfeitures:                       |    |                    |        |                         |               |   |
| Court fines and forfeitures                  | \$ | 10,000             | _ \$ _ | 10,000                  | \$<br>18,946  | \$<br>8,946   |
| Revenue from use of money and property:      |    |                    |        |                         |               |   |
| Revenue from use of money                    | \$ | 2,200              | \$     | 2,200                   | \$<br>199     | \$<br>(2,001)   |
| Revenue from use of property                 | _  | 32,800             |        | 32,800                  | <br>29,375    | <br>(3,425)   |
| Total revenue from use of money and property | \$ | 35,000             | \$     | 35,000                  | \$<br>29,574  | \$<br>(5,426)   |
| Charges for services:                        |    |                    |        |                         |               |   |
| Boat dockage and ramp fees                   | \$ | 57,800             | \$     | 57,800                  | \$<br>37,444  | \$<br>(20,356)  |
| Wharf - fuel sales                           |    | 36,000             |        | 36,000                  | 39,964        | 3,964   |
| Wharf - general                              |    | 1,150              |        | 1,150                   | 1,481         | 331   |
| Wharf - electric                             |    | 5,000              |        | 5,000                   | 4,048         | (952)   |
| Trash collections                            |    | 72,000             |        | 72,000                  | 73,040        | 1,040   |
| Building and zoning permits                  |    | 300                |        | 300                     | -             | (300)   |
| Grass cutting                                |    | 300                |        | 300                     | <br>-         | <br>(300)   |
| Total charges for services                   | \$ | 172,550            | \$     | 172,550                 | \$<br>155,977 | \$<br>(16,573)  |

# General Fund Schedule of Revenues - Budget and Actual Year Ended June 30, 2015 (Continued)

| Fund, Major and Minor Revenue Source  |     | Original<br>Budget | <br>Budget<br>As<br>Amended | <br>Actual      | <br>Variance<br>From<br>Amended<br>Budget<br>Positive<br>(Negative) |
|---|-----|--------------------|-----------------------------|-----------------|---|
| General Fund: (Continued)   |     |                    |                             |                 |   |
| Revenue from local sources: (Continued)                                     |     |                    |                             |                 |   |
| Miscellaneous:  |     |                    |                             |                 |   |
| Miscellaneous   | \$  | 75,000             | \$<br>68,413                | \$<br>20,855    | \$<br>(47,558)  |
| Total revenue from local sources  | \$  | 1,179,150          | \$<br>1,172,563             | \$<br>1,093,450 | \$<br>(79,113)  |
| Intergovernmental:<br>Revenue from the Commonwealth:<br>Noncategorical aid: |     |                    |                             |                 |   |
| PPTRA   | \$  | -                  | \$<br>-                     | \$<br>68,265    | \$<br>68,265  |
| Total noncategorical aid  | \$  | -                  | \$<br>-                     | \$<br>68,265    | \$<br>68,265  |
| Categorical aid:  |     |                    |                             |                 |   |
| State fire grant  | \$  | 8,000              | \$<br>8,000                 | \$<br>-         | \$<br>(8,000)   |
| Police aid  |     | 35,550             | 35,550                      | 35,548          | (2)   |
| Litter control grant  |     | 800                | 800                         | 1,059           | 259   |
| Virginia commission of the arts   | _   | 1,500              | <br>1,500                   | <br>-           | <br>(1,500)   |
| Total categorical aid   | \$  | 45,850             | \$<br>45,850                | \$<br>36,607    | \$<br>(9,243)   |
| Total revenue from the Commonwealth   | \$  | 45,850             | \$<br>45,850                | \$<br>104,872   | \$<br>59,022  |
| Revenue from the Federal Government:<br>Categorical aid:                    |     |                    |                             |                 |   |
| Economic development research   | \$  | -                  | \$<br>7,047                 | \$<br>7,953     | \$<br>906   |
| Rural development grant   |     | -                  | -                           | 17,000          | 17,000  |
| FEMA grant  | _   | -                  | <br>-                       | <br>8,668       | <br>8,668   |
| Total categorical aid   | \$  | -                  | \$<br>7,047                 | \$<br>33,621    | \$<br>26,574  |
| Total revenue from the federal government                                   | \$  | -                  | \$<br>7,047                 | \$<br>33,621    | \$<br>26,574  |
| Total General Fund  | \$_ | 1,225,000          | \$<br>1,225,460             | \$<br>1,231,943 | \$<br>6,483   |

# General Fund Schedule of Expenditures -- Budget and Actual Year Ended June 30, 2015

| Fund, Function, Activity and Elements          | <br>Original<br>Budget | Budget<br>As<br>Amended |    | Actual     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------------|-------------------------|----|------------|---|
| General Fund:                                  |                        |                         |    |            |   |
| General government administration:             |                        |                         |    |            |   |
| Legislative:                                   |                        |                         |    |            |   |
| Mayor and council                              | \$<br>14,200 \$        | 14,200                  | \$ | 14,382 \$  | 5 (182)   |
| Payroll taxes                                  | 1,086                  | 1,086                   |    | 1,100      | (14)  |
| Travel   | 850                    | 850                     |    | -          | 850   |
| Community promotion                            | 12,045                 | 15,045                  |    | 8,362      | 6,683   |
| Town beautification                            | 1,000                  | 1,000                   |    | 266        | 734   |
| Tourism transient occupancy transfer           | <br>2,500              | 2,500                   |    | 1,611      | 889   |
| Total legislative                              | \$<br>31,681 \$        | 34,681                  | \$ | 25,721 \$  | 8,960   |
| General and financial administration:          |                        |                         |    |            |   |
| Salaries                                       | \$<br>110,631 \$       | 110,631                 | \$ | 115,521 \$ | 6 (4,890)   |
| Overtime                                       | 2,292                  | 2,292                   |    | -          | 2,292   |
| Payroll taxes                                  | 8,463                  | 8,463                   |    | 9,049      | (586)   |
| Hospitalization                                | 21,063                 | 21,063                  |    | 20,795     | 268   |
| Retirement                                     | 6,979                  | 6,979                   |    | 6,766      | 213   |
| Life insurance                                 | 1,460                  | 1,460                   |    | 732        | 728   |
| State unemployment                             | 1,109                  | 1,109                   |    | 2,736      | (1,627)   |
| Training                                       | 1,250                  | 1,250                   |    | 420        | 830   |
| Auditing                                       | 17,000                 | 17,000                  |    | 16,750     | 250   |
| Office equipment maintenance                   | 7,500                  | 7,500                   |    | 10,453     | (2,953)   |
| Printing auto decals                           | 650                    | 650                     |    | 255        | 395   |
| Advertising                                    | 4,000                  | 4,000                   |    | 4,110      | (110)   |
| Postage  | 2,250                  | 2,250                   |    | 1,622      | 628   |
| Telephone                                      | 3,750                  | 3,750                   |    | 4,968      | (1,218)   |
| Travel   | 1,000                  | 1,000                   |    | 316        | 684   |
| Dues and memberships                           | 1,500                  | 1,500                   |    | 1,226      | 274   |
| Office supplies                                | 5,000                  | 5,000                   |    | 5,548      | (548)   |
| Historic Onancock School                       | -                      | 7,047                   |    | 7,047      | -   |
| Miscellaneous                                  | 2,500                  | 2,500                   |    | 3,100      | (600)   |
| Parades  | -                      | 7,423                   |    | 6,587      | 836   |
| Bank charges                                   | 2,500                  | 2,500                   |    | 7,463      | (4,963)   |
| Bookkeeping                                    | 5,000                  | 5,000                   |    | 3,011      | 1,989   |
| Town attorney                                  | 6,000                  | 6,000                   |    | 1,290      | 4,710   |
| Court fees                                     | 250                    | 250                     |    | -          | 250   |
| Consultants                                    | 5,000                  | 5,000                   |    | -          | 5,000   |
| Property insurance                             | 16,500                 | 16,500                  |    | 23,492     | (6,992)   |
| Vehicle insurance                              | 7,200                  | 7,200                   |    | 7,041      | 159   |
| Surety bonds                                   | 200                    | 200                     |    | -          | 200   |
| Public officials and law enforcement liability | 2,400                  | 2,400                   |    | -          | 2,400   |
| General liability                              | 2,000                  | 2,000                   |    | 1,002      | 998   |
| Workmens compensation                          | 14,500                 | 14,500                  |    | 12,434     | 2,066   |
| Flood insurance - wharf                        | 1,000                  | 1,000                   | _  | -          | 1,000   |
| Total general and financial administration     | \$<br>260,947 \$       | 275,417                 | \$ | 273,734    | 5 1,683   |
| Total general government administration        | \$<br>292,628 \$       | 310,098                 | \$ | 299,455 \$ | 5 10,643  |

### General Fund Schedule of Expenditures -- Budget and Actual Year Ended June 30, 2015 (Continued)

Fund, Function, Activity and Elements

| rana, ranotion, notivity and Elements | <br>Duuget       | Timonaoa | Actual     | <br>(Negative) |
|---------------------------------------|------------------|----------|------------|----------------|
| eneral Fund: (Continued)              |                  |          |            |                |
| Public safety:                        |                  |          |            |                |
| Law enforcement:                      |                  |          |            |                |
| Salaries for officers                 | \$<br>199,743 \$ | 199,743  | \$ 205,472 | \$<br>(5,729)  |
| Overtime                              | 8,021            | 8,786    | 6,376      | 2,410          |
| Payroll taxes                         | 15,280           | 15,280   | 16,537     | (1,257)        |
| Retirement                            | 15,325           | 15,325   | 15,033     | 292            |
| Hospitalization                       | 25,728           | 25,728   | 41,040     | (15,312)       |
| Life insurance                        | 2,637            | 2,637    | 1,346      | 1,291          |
| State unemployment                    | 2,772            | 2,772    | 2,631      | 141            |
| Training                              | 2,000            | 2,000    | 1,939      | 61             |
| Vehicle repairs                       | 3,500            | 3,500    | 6,912      | (3,412)        |
| Computer maintenance                  | 3,500            | 3,500    | 2,319      | 1,181          |
| Telephone                             | 1,100            | 1,100    | 2,127      | (1,027)        |
| Line of duty act insurance            | -                | -        | 1,715      | (1,715)        |
| Travel                                | 400              | 400      | 447        | (47)           |
| Office supplies                       | 1,250            | 1,250    | 482        | 768            |
| Vehicle fuel                          | 16,000           | 16,000   | 10,142     | 5,858          |
| Uniforms                              | 2,500            | 6,025    | 3,811      | 2,214          |
| Police supplies                       | 5,200            | 5,200    | 4,077      | 1,123          |
| Line of duty act insurance            | 2,500            | 2,500    | -          | 2,500          |
| Police vehicles                       | <br>15,000       | 15,000   | 33,450     | <br>(18,450)   |
| Total law enforcement                 | \$<br>322,456 \$ | 326,746  | \$ 355,856 | \$<br>(29,110) |
| Fire and rescue:                      |                  |          |            |                |
| Contributions fire companies          | \$<br>22,500 \$  | 22,500   | \$ 22,500  | \$<br>-        |
| Fire programs funding                 | <br>8,000        | 8,000    |            | <br>8,000      |
| Total fire and rescue                 | \$<br>30,500 \$  | 30,500   | \$ 22,500  | \$<br>8,000    |
| Total public safety                   | \$<br>352,956 \$ | 357,246  | \$ 378,356 | \$<br>(21,110) |

## General Fund Schedule of Expenditures -- Budget and Actual Year Ended June 30, 2015 (Continued)

| Fund, Function, Activity and Elements |    | Original<br>Budget |    | Budget<br>As<br>Amended |    | Actual  | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|----|--------------------|----|-------------------------|----|---------|---|
| General Fund: (Continued)             |    |                    |    |                         |    |         |   |
| Public works:                         |    |                    |    |                         |    |         |   |
| Street maintenance:                   |    |                    |    |                         |    |         |   |
| Salaries                              | \$ | 23,893             | \$ | 23,893                  | \$ | 24,748  | 6 (855)   |
| Overtime                              |    | 286                |    | 286                     |    | 121     | 165   |
| Payroll taxes                         |    | 1,828              |    | 1,828                   |    | 1,941   | (113)   |
| Retirement                            |    | 1,919              |    | 1,919                   |    | 1,984   | (65)  |
| Hospitalization                       |    | 4,824              |    | 4,824                   |    | 4,824   | -   |
| Life insurance                        |    | 315                |    | 315                     |    | 162     | 153   |
| State unemployment                    |    | 416                |    | 416                     |    | 394     | 22  |
| Vehicle repairs                       |    | 12,000             |    | 12,000                  |    | 19,225  | (7,225)   |
| Electricity                           |    | 28,500             |    | 28,500                  |    | 26,631  | 1,869   |
| Street repairs                        |    | 6,000              |    | 6,000                   |    | 1,352   | 4,648   |
| Small equipment repair                |    | 500                |    | 500                     |    | 229     | 271   |
| Uniforms                              |    | 1,000              |    | 1,000                   |    | -       | 1,000   |
| Trash can liners                      |    | -                  |    | -                       |    | 1,072   | (1,072)   |
| Total street maintenance              | \$ | 81,481             | \$ | 81,481                  | \$ | 82,683  | 6 (1,202)   |
| Sanitation and waste:                 |    |                    |    |                         |    |         |   |
| Salaries                              | \$ | 47,786             | \$ | 47,786                  | \$ | 47,056  | 5 730   |
| Overtime                              |    | 573                |    | 573                     |    | 242     | 331   |
| Payroll taxes                         |    | 3,656              |    | 3,656                   |    | 3,548   | 108   |
| Retirement                            |    | 3,837              |    | 3,837                   |    | 3,968   | (131)   |
| Hospitalization                       |    | 9,648              |    | 9,648                   |    | 9,648   | -   |
| Life insurance                        |    | 631                |    | 631                     |    | 324     | 307   |
| State unemployment                    |    | 832                |    | 832                     |    | 800     | 32  |
| Vehicle maintenance                   |    | 3,600              |    | 3,600                   |    | 2,462   | 1,138   |
| Trash collection service              |    | 79,200             |    | 79,200                  |    | 84,962  | (5,762)   |
| Repairs and maintenance               |    | 2,000              |    | 2,000                   |    | 168     | 1,832   |
| Vehicle fuel                          |    | 4,750              |    | 4,750                   |    | 3,474   | 1,276   |
| Litter control                        |    | 1,200              |    | 1,200                   |    |         | 1,200   |
| Total sanitation and waste            | \$ | 157,713            | \$ | 157,713                 | \$ | 156,652 | 51,061  |
| Mosquito and weed control:            |    |                    |    |                         |    |         |   |
| Salaries                              | \$ | 4,200              | \$ | 4,200                   | \$ | 2,317   | 5 1,883   |
| Payroll taxes                         | Ψ  | 250                | Ψ  | 250                     | Ψ  | 52      | 198   |
| Repairs and maintenance               |    | 750                |    | 750                     |    | 52      | 750   |
| Chemicals                             |    | 5,000              |    | 5,000                   |    | _       | 5,000   |
| Weed control                          | _  | 9,500              |    | 9,500                   |    | 1,250   | 8,250   |
| Total mosquito and weed control       | \$ | 19,700             | \$ | 19,700                  | \$ | 3,619   | 5 16,081  |

# General Fund Schedule of Expenditures -- Budget and Actual Year Ended June 30, 2015 (Continued)

| Fund, Function, Activity and Elements |    | Original<br>Budget |     | Budget<br>As<br>Amended |    | Actual  |    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|----|--------------------|-----|-------------------------|----|---------|----|---|
| General Fund: (Continued)             |    |                    |     |                         |    |         |    |   |
| Public works: (Continued)             |    |                    |     |                         |    |         |    |   |
| Buildings and grounds:                |    |                    |     |                         |    |         |    |   |
| Salaries                              | \$ | 9,557              | \$  | 9,557                   | \$ | 9,764   | \$ | (207)   |
| Overtime                              |    | 115                |     | 115                     |    | 49      |    | 66  |
| Payroll taxes                         |    | 731                |     | 731                     |    | 766     |    | (35)  |
| Retirement                            |    | 767                |     | 767                     |    | 794     |    | (27)  |
| Hospitalization                       |    | 1,930              |     | 1,930                   |    | 1,930   |    | -   |
| Life insurance                        |    | 126                |     | 126                     |    | 65      |    | 61  |
| State unemployment                    |    | 166                |     | 166                     |    | 153     |    | 13  |
| Electricity                           |    | 5,000              |     | 5,000                   |    | 3,746   |    | 1,254   |
| Heat                                  |    | 5,000              |     | 5,000                   |    | 7,428   |    | (2,428)   |
| Janitorial supplies                   |    | 1,000              |     | 1,000                   |    | 762     |    | 238   |
| Janitorial services - town hall       |    | 2,400              |     | 2,400                   |    | 2,600   |    | (200)   |
| Repairs and maintenance               | _  | 5,000              |     | 5,000                   |    | 722     |    | 4,278   |
| Total buildings and grounds           | \$ | 31,792             | _\$ | 31,792                  | \$ | 28,779  | \$ | 3,013   |
| Total public works                    | \$ | 290,686            | \$  | 290,686                 | \$ | 271,733 | \$ | 18,953  |
| Parks, recreation and cultural:       |    |                    |     |                         |    |         |    |   |
| Parks and recreation:                 |    |                    |     |                         |    |         |    |   |
| Salaries                              | \$ | 14,336             | \$  | 14,336                  | \$ | 15,467  | \$ | (1,131)   |
| Overtime                              | Ψ  | 172                | Ψ   | 172                     | Ψ  | 72      | Ψ  | 100   |
| Payroll taxes                         |    | 1,097              |     | 1,097                   |    | 1,212   |    | (115)   |
| Retirement                            |    | 1,151              |     | 1,151                   |    | 1,287   |    | (136)   |
| Hospitalization                       |    | 2,894              |     | 2,894                   |    | 2,894   |    | (100)   |
| Life insurance                        |    | 189                |     | 189                     |    | 96      |    | 93  |
| State unemployment                    |    | 249                |     | 249                     |    | 228     |    | 21  |
| Grass cutting                         |    | 6,000              |     | 6,000                   |    | 5,581   |    | 419   |
| Electricity                           |    | 700                |     | 700                     |    | 1,152   |    | (452)   |
| Repair and maintenance supplies       |    | 1,000              |     | 1,000                   |    | 615     |    | 385   |
| Small tools                           |    | 300                |     | 300                     |    | 126     |    | 174   |
| Plantings                             |    | 2,500              |     | 2,500                   |    | 1,806   |    | 694   |
| Total parks and recreation            | \$ | 30,588             | \$  | 30,588                  | \$ | 30,536  | \$ | 52  |

# General Fund

Schedule of Expenditures -- Budget and Actual Year Ended June 30, 2015 (Continued)

| Fund, Function, Activity and Elements       |    | Original<br>Budget | Budget<br>As<br>Amended | <br>Actual      |    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----|--------------------|-------------------------|-----------------|----|---|
| General Fund: (Continued)                   |    |                    |                         |                 |    |   |
| Parks, recreation and cultural: (Continued) |    |                    |                         |                 |    |   |
| Wharf and marina:                           |    |                    |                         |                 |    |   |
| Salaries                                    | \$ | 25,090             | \$<br>25,090            | \$<br>25,797    | \$ | (707)   |
| Overtime                                    |    | 11,465             | 11,465                  | 1,107           |    | 10,358  |
| Payroll taxes                               |    | 1,919              | 1,919                   | 2,146           |    | (227)   |
| State unemployment                          |    | 948                | 948                     | 1,350           |    | (402)   |
| Electric services                           |    | 7,000              | 7,000                   | 4,748           |    | 2,252   |
| Telephone                                   |    | 1,500              | 1,500                   | 1,711           |    | (211)   |
| Janitorial supplies                         |    | 750                | 1,750                   | 1,212           |    | 538   |
| Repair and maintenance supplies             |    | 5,000              | 4,000                   | 1,726           |    | 2,274   |
| Fuel purchases                              |    | 30,000             | 30,000                  | 30,118          |    | (118)   |
| Other operating supplies                    |    | 1,000              | 1,000                   | 2,846           |    | (1,846)   |
| Harbormaster construction                   |    | -                  | -                       | 60,326          |    | (60,326)  |
| Advertising                                 |    | 1,500              | <br>1,500               | <br>2,404       |    | (904)   |
| Total wharf and marina                      | \$ | 86,172             | \$<br>86,172            | \$<br>135,491   | \$ | (49,319)  |
| Christmas lighting:                         |    |                    |                         |                 |    |   |
| Electricity                                 | \$ | 250                | \$<br>250               | \$<br>109       | \$ | 141   |
| Repairs and maintenance                     |    | 1,000              | 1,000                   | 215             |    | 785   |
| Christmas parade                            |    | 3,000              | <br>3,000               | <br>1,532       |    | 1,468   |
| Total Christmas lighting                    | \$ | 4,250              | \$<br>4,250             | \$<br>1,856     | \$ | 2,394   |
| Total parks, recreation, and cultural       | \$ | 121,010            | \$<br>121,010           | \$<br>167,883   | \$ | (46,873)  |
| Debt service:                               |    |                    |                         |                 |    |   |
| Principal retirement                        | \$ | 26,782             | \$<br>26,782            | \$<br>24,718    | \$ | 2,064   |
| Interest and other fiscal charges           | •  |                    |                         | 8,280           | •  | (8,280)   |
| Total debt service                          | \$ | 26,782             | \$<br>26,782            | \$<br>32,998    | \$ | (6,216)   |
| Nondepartmental:                            |    |                    |                         |                 |    |   |
| Contingencies                               | \$ | 15,364             | \$<br>10,364            | \$<br>344       | \$ | 10,020  |
| Total General Fund                          | \$ | 1,099,426          | \$<br>1,116,186         | \$<br>1,150,769 | \$ | (34,583)  |

**Statistical Information** 

#### Changes in Net Position Last Seven Fiscal Years

|  | _  | 2009               | 2010                |      | 2011               |       | 2012                  | 2013               |       | 2014                  | 2015               |
|--|----|--------------------|---------------------|------|--------------------|-------|-----------------------|--------------------|-------|-----------------------|--------------------|
| Expenses   |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Governmental Activities                            |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| General Government Administration                  | \$ | 303,205<br>325,075 | \$ 391,42<br>395,61 |      | 390,396<br>310,541 | \$    | 493,199 \$<br>282,548 | 312,234<br>341,356 | \$    | 360,651 \$<br>354,843 | 302,632<br>347,946 |
| Public Safety<br>Public Works                      |    | 325,075<br>245,530 | 270,67              |      | 282,050            |       | 282,548<br>298,067    | 341,356            |       | 354,843<br>250,481    | 283,050            |
| Parks, Recreation and Cultural                     |    | 130,034            | 139,38              |      | 150,308            |       | 137,596               | 130,027            |       | 198,726               | 119,280            |
| Interest and other fiscal charges                  | _  | -                  | 63,19               | 0    | 10,750             |       | 10,365                | 11,776             |       | 6,456                 | 8,280              |
| Total Governmental Activities Expenses             | \$ | 1,003,844          | 1,260,28            | 6_\$ | 1,144,045          | \$    | 1,221,775 \$          | 1,100,822          | \$    | 1,171,157 \$          | 1,061,188          |
| Business-Type Activities                           |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Public Utilities                                   | \$ | 736,733            | \$ 792,53           | 3 \$ | 792,457            | . * _ | 765,120 \$            | 1,167,127          | \$    | 1,162,288 \$          | 1,178,520          |
| Total Business-Type Activities Expenses            | \$ | 736,733            | 5 792,53            | 3 \$ | 792,457            | \$    | 765,120 \$            | 1,167,127          | \$    | 1,162,288 \$          | 1,178,520          |
| Total Primary Government Expenses                  | \$ | 1,740,577          | \$ 2,052,81         | 9 \$ | 1,936,502          | \$    | 1,986,895 \$          | 2,267,949          | \$    | 2,333,445 \$          | 2,239,708          |
| Program Revenues                                   |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Governmental Activities                            |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Charges for Services                               | \$ | 102,211            |                     |      | 142,456            | \$    | 135,692 \$            | 121,538            | \$    | 106,723 \$            | 174,923            |
| Operating Grants and Contributions                 |    | 54,172             | 51,94               | 1    | 96,083             |       | 179,152               | 71,021             |       | 84,690                | 36,607             |
| Capital Grants and Contributions                   |    | -                  |                     |      | -                  |       | 109,581               | 194,498            |       | 50,410                | 33,621             |
| Total Governmental Activities Program Revenues     | \$ | 156,383            | \$ 186,12           | 4_\$ | 238,539            | \$    | 424,425 \$            | 387,057            | \$    | 241,823 \$            | 245,151            |
| Business-Type Activities<br>Charges for Services   | ¢  | 887,089            | \$ 884,61           | F ^  | 791,500            | ۴     | 985,653 \$            | 939,787            | ¢     | 736,275 \$            | 849,830            |
| Capital Grants and Contributions                   | \$ | 2,064,357          | 4,084,92            |      | 759,991            | »     | 67,082                | 939,787<br>194,187 | »<br> | - 130,213             | 335,790            |
| Total Business-Type Activities Program Revenues    | \$ | 2,951,446          | 4,969,53            | 5 \$ | 1,551,491          | \$    | 1,052,735 \$          | 1,133,974          | \$    | 736,275 \$            | 1,185,620          |
| Total Primary Government Program Revenues          | \$ | 3,107,829          | \$ 5,155,65         | 9 \$ | 1,790,030          | \$    | 1,477,160 \$          | 1,521,031          | \$    | 978,098 \$            | 1,430,771          |
| Net (Expense)/ Revenue                             |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Governmental Activities                            | \$ | (847,461)          | -                   |      | (905,506)          | \$    | (797,350) \$          | (713,765)          | \$    | (929,334) \$          | (816,037)          |
| Business-Type Activities                           |    | 2,214,713          | 4,177,00            | 2    | 759,034            |       | 287,615               | (33,153)           |       | (426,013)             | 7,100              |
| Total Primary Government Net (Expense)/ Revenue    | \$ | 1,367,252          | 3,102,84            | 0 \$ | (146,472)          | = * _ | (509,735) \$          | (746,918)          | \$    | (1,355,347) \$        | (808,937)          |
| General Revenues and Other Changes in Net Position |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Governmental Activites<br>General Property Taxes   | \$ | 421,125            | \$ 489,27           | A ¢  | 454,246            | ¢     | 370,870 \$            | 439,399            | ¢     | 432,462 \$            | 423,094            |
| Other Local Taxes                                  | φ  | 307,926            | 318,16              |      | 329,938            | φ     | 338,161               | 437,377            | φ     | 363,988               | 423,094            |
| Revenues from the use of money & property          |    | 19,754             | 8,56                |      | 35,543             |       | 31,159                | 34,026             |       | 29,771                | 29,631             |
| Commonwealth of Virginia - PPTRA                   |    | -                  |                     | -    | -                  |       | 68,265                | 68,265             |       | 68,265                | 68,265             |
| Miscellaneous                                      |    | 14,191             | 33,93               | 1    | 61,462             |       | 15,597                | 9,099              |       | 38,627                | 20,855             |
| Total Governmental Activities                      | \$ | 762,996            | \$ 849,93           | 0 \$ | 881,189            | \$    | 824,052 \$            | 962,135            | \$    | 933,113 \$            | 969,908            |
| Business-Type Activities                           |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Revenues from the use of money & property          | \$ | 40,881             |                     |      | 98,299             | \$    | 1,295 \$              | 86                 | \$    | 22 \$                 | -                  |
| Miscellaneous                                      |    | 2,487              | 12,42               | 6    | 11,709             |       | 1,805                 | 18,604             |       | 28,101                | -                  |
| Total Business-Type Activities                     | \$ | 43,368             | 58,08               | 6 \$ | 110,008            | \$    | 3,100 \$              | 18,690             | \$    | 28,123 \$             | -                  |
| Total Primary Government                           | \$ | 806,364            | 908,01              | 6 \$ | 991,197            | \$    | 827,152 \$            | 980,825            | \$    | 961,236 \$            | 969,908            |
| Change in Net Position                             |    |                    |                     |      |                    |       |                       |                    |       |                       |                    |
| Governmental Activities                            | \$ | (84,465)           |                     |      | (24,317)           | \$    | 26,702 \$             | 248,370            |       | 3,779 \$              | 153,871            |
| Business-Type Activites                            | _  | 2,258,081          | 4,235,08            | 8    | 869,042            |       | 290,715               | (14,463)           |       | (397,890)             | 7,100              |
| Total Primary Government Change in Net Position    | \$ | 2,173,616          | \$ 4,010,85         | د د  | 844,725            | ¢     | 317,417 \$            | 233,907            | ¢     | (394,111) \$          | 160,971            |

Changes in Fund Balances Governmental Funds Last Ten Fiscal Years

|   | _  | 2006    | <br>2007      | <br>2008          | _  | 2009      | <br>2010        |    |
|---|----|---------|---------------|-------------------|----|-----------|-----------------|----|
| Revenues  |    |         |               |                   |    |           |                 |    |
| General property taxes                                    | \$ | 373,633 | \$<br>426,969 | \$<br>429,238     | \$ | 438,833   | \$<br>436,662   | \$ |
| Other local taxes   |    | 237,395 | 295,733       | 337,212           |    | 290,218   | 318,165         |    |
| Permits, privilege fees and regulatory licenses           |    | -       | -             | -                 |    | -         | 846             |    |
| Fines and forfeitures                                     |    | 14,698  | 14,167        | 12,288            |    | 9,316     | 16,030          |    |
| Revenue from the use of money and property                |    | 6,862   | 17,202        | 20,892            |    | 20,134    | 8,560           |    |
| Charges for services                                      |    | 88,491  | 99,665        | 102,525           |    | 102,211   | 134,183         |    |
| Miscellaneous   |    | 125,699 | 36,882        | 17,248            |    | 3,980     | 17,055          |    |
| Intergovernmental   |    | 50,323  | <br>53,323    | <br>55,949        | _  | 54,172    | <br>51,941      |    |
| Total Revenues  | \$ | 897,101 | \$<br>943,941 | \$<br>975,352     | \$ | 918,864   | \$<br>983,442   | \$ |
| Expenditures  |    |         |               |                   |    |           |                 |    |
| General administration                                    | \$ | 257,169 | \$<br>270,992 | \$<br>270,741     | \$ | 289,523   | \$<br>247,674   | \$ |
| Public safety   |    | 293,031 | 249,483       | 244,067           |    | 276,495   | 272,592         |    |
| Public works  |    | 210,527 | 235,223       | 207,104           |    | 204,968   | 232,926         |    |
| Parks recreation and cultural                             |    | 105,033 | 104,477       | 128,300           |    | 125,528   | 140,282         |    |
| Rehabilitation  |    | 1,990   | 16,473        | 221               |    | 37        | -               |    |
| Capital outlays & non-departmental                        |    | 13,127  | 1,470         | 895,518           |    | 61,835    | -               |    |
| Debt Service  | _  | -       | <br>-         | <br>445,641       | _  | 72,848    | <br>224,709     |    |
| Total Expenditures  | \$ | 880,877 | \$<br>878,118 | \$<br>2,191,592   | \$ | 1,031,234 | \$<br>1,118,183 | \$ |
| Excess (deficiency) of revenues over (under) expenditures | \$ | 16,224  | \$<br>65,823  | \$<br>(1,216,240) | \$ | (112,370) | \$<br>(134,741) | \$ |
| Other Financing Sources (Uses)                            |    |         |               |                   |    |           |                 |    |
| Issuance of notes payable                                 | \$ | -       | \$<br>-       | \$<br>-           | \$ | -         | \$<br>-         | \$ |
| Sale of capital assets                                    | _  | -       | <br>-         | <br>-             | _  | -         | <br>184,625     |    |
| Total Other Financing Sources (Uses)                      | \$ | -       | \$<br>-       | \$<br>-           | \$ | -         | \$<br>184,625   | \$ |
| Net Change in Fund Balance                                | \$ | 16,224  | \$<br>65,823  | \$<br>(1,216,240) | \$ | (112,370) | \$<br>49,884    | \$ |
| Debt Service as a Percentage of Noncapital Expenditures   |    | 0.00%   | 0.00%         | 34.38%            |    | 7.51%     | 20.10%          |    |

| 2011      | _  | 2012      | _   | 2013      |            | 2014      | _  | 2015      |
|-----------|----|-----------|-----|-----------|------------|-----------|----|-----------|
|           |    |           |     |           |            |           |    |           |
| 420,633   | \$ | 373,304   | \$  | 428,929   | \$         | 436,142   | \$ | 440,035   |
| 329,938   |    | 338,161   |     | 411,346   |            | 363,988   |    | 428,063   |
| 375       |    | 525       |     | -         |            | -         |    | -         |
| 17,885    |    | 16,238    |     | 10,978    |            | 18,410    |    | 18,946    |
| 35,543    |    | 31,159    |     | 34,026    |            | 29,771    |    | 29,631    |
| 124,196   |    | 118,929   |     | 110,560   |            | 88,313    |    | 155,977   |
| 61,462    |    | 15,597    |     | 9,099     |            | 38,627    |    | 20,855    |
| 96,083    | _  | 356,998   | _   | 333,784   |            | 203,365   | _  | 138,493   |
| 1,086,115 | \$ | 1,250,911 | \$  | 1,338,722 | \$         | 1,178,616 | \$ | 1,232,000 |
|           |    |           |     |           |            |           |    |           |
| 391,380   | \$ | 501,532   | \$  | 304,633   | \$         | 346,266   | \$ | 299,455   |
| 294,863   |    | 301,123   |     | 325,275   |            | 343,672   |    | 378,356   |
| 243,676   |    | 258,528   |     | 265,837   |            | 269,500   |    | 271,733   |
| 144,210   |    | 132,101   |     | 284,164   |            | 190,625   |    | 167,883   |
| -         |    | -         |     | -         |            | -         |    | -         |
| -         |    | 149,797   |     | -         |            | 11,866    |    | 344       |
| 30,070    | _  | 30,070    | _   | 32,301    |            | 27,838    | -  | 32,998    |
| 1,104,199 | \$ | 1,373,151 | \$  | 1,212,210 | \$         | 1,189,767 | \$ | 1,150,769 |
| (18,084)  | \$ | (122,240) | \$  | 126,512   | \$         | (11,151)  | \$ | 81,231    |
| (10,004)  | Ť- | (122,240) | Ť - | 120,512   | · * -      | (11,131)  | Ψ- | 01,231    |
|           | \$ | _         | \$  |           | \$         | _         | \$ | 32,000    |
|           | ¥  | -         | Ψ_  |           | .          | -         | Ψ_ | -         |
| -         | \$ | -         | \$  | -         | \$         | -         | \$ | 32,000    |
| (18,084)  | \$ | (122,240) | \$  | 126,512   | - <u>-</u> | (11,151)  | \$ | 113,231   |
| (10,004)  | -  | (122,240) | -   | 120,012   |            | (11,131)  | Ť  | 115,231   |
| 2.72%     |    | 2.46%     |     | 2.66%     |            | 2.34%     |    | 2.87%     |

Schedule of Legal Debt Margin Last Seven Fiscal Years

|   |      | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015        |
|---|------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| Assessed value of real estate subject to taxation<br>Legal Debt Limit | \$3  | \$0,685,900 \$ | 131,958,400 \$ | 132,441,000 \$ | 132,954,000 \$ | 118,891,900 \$ | 118,862,000 \$ | 117,363,100 |
| 10% of Assessed Value of Taxable Real Estate:                         | \$ 1 | 3,068,590 \$   | 13,195,840 \$  | 13,244,100 \$  | 13,295,400 \$  | 11,889,190 \$  | 11,886,200 \$  | 11,736,310  |
| Deduct:<br>Bonds Payable  |      | 7,687,931      | 11,382,417     | 10,856,810     | 10,331,258     | 10,101,659     | 9,668,641      | 9,233,390   |
| Legal Margin for Creation of Additional Debt                          | \$   | 5,380,659 \$   | 1,813,423 \$   | 2,387,290 \$   | 2,964,142 \$   | 1,787,531 \$   | 2,217,559 \$   | 2,502,920   |

|          |                  |             | Percent of  |
|----------|------------------|-------------|-------------|
|          | Total            | Total       | Total Tax   |
| Fiscal   | Тах              | Тах         | Collections |
| <br>Year | <br>Levy (1)     | Collections | to Tax Levy |
|          |                  |             |             |
| 2006     | \$<br>373,710 \$ | 375,057     | 100.36%     |
| 2007     | 403,271          | 414,740     | 102.84%     |
| 2008     | 423,105          | 412,896     | 97.59%      |
| 2009     | 434,441          | 410,003     | 94.37%      |
| 2010     | 437,232          | 436,662     | 99.87%      |
| 2011     | 444,068          | 420,633     | 94.72%      |
| 2012     | 473,369          | 441,569     | 93.28%      |
| 2013     | 473,286          | 498,762     | 105.38%     |
| 2014     | 484,286          | 488,427     | 100.86%     |
| 2015     | 482,140          | 488,180     | 101.25%     |
|          |                  |             |             |

(1) Exclusive of penalties and interest.

# Assessed Value of Taxable Property Last Ten Fiscal Years

| <br>Fiscal<br>Year | <br>Real<br>Estate (1) | Personal<br>Property | Public<br>Service (2) | Total       |  |
|--------------------|------------------------|----------------------|-----------------------|-------------|--|
|                    |                        |                      |                       |             |  |
| 2006               | \$<br>69,137,100 \$    | 8,523,430 \$         | 5,134,737 \$          | 82,795,267  |  |
| 2007               | 70,914,900             | 8,774,343            | 3,704,885             | 83,394,128  |  |
| 2008               | 72,081,100             | 9,024,586            | 7,209,292             | 88,314,978  |  |
| 2009               | 130,685,900            | 8,281,501            | 7,209,292             | 146,176,693 |  |
| 2010               | 131,958,400            | 8,384,472            | 7,324,763             | 147,667,635 |  |
| 2011               | 132,441,000            | 8,451,962            | 7,036,928             | 147,929,890 |  |
| 2012               | 132,954,000            | 8,504,206            | 6,753,652             | 148,211,858 |  |
| 2013               | 118,891,900            | 8,293,639            | 6,195,454             | 133,380,993 |  |
| 2014               | 118,862,000            | 8,964,622            | 5,705,176             | 133,531,798 |  |
| 2015               | 117,363,100            | 9,350,884            | 5,236,800             | 131,950,784 |  |
|                    |                        |                      |                       |             |  |

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

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

**Compliance** 

Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

# To the Honorable Members of the Town Council Town of Onancock, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Onancock, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Onancock, Virginia's basic financial statements, and have issued our report dated December 17, 2015.

# Internal Control over Financial Reporting

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

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

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

# **Compliance and Other Matters**

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

# Purpose of this Report

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

Robinson, Farmer, Cox Accounts

Charlottesville, Virginia December 17, 2015