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		Page						
Independent Au	ditors' Report	1-3						
Management's D	Discussion and Analysis	4-8						
Basic Financial	Statements:							
Government-wi	de Financial Statements:							
Exhibit 1	Statement of Net Position	9						
Exhibit 2	Statement of Activities	10-11						
Fund Financial	Statements:							
Exhibit 3	Balance Sheet—Governmental Funds	12						
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds	13						
Exhibit 5	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	14						
Exhibit 6	Statement of Net Position—Proprietary Fund	15						
Exhibit 7	Schedule of Revenues, Expenses and Changes in Net Position— Proprietary Fund	16						
Exhibit 8	Statement of Cash Flows—Proprietary Fund	17						
Notes to Financi	al Statements	18-51						
Required Supple	ementary Information:							
Exhibit 9	Schedule of Revenues, Expenditures and Changes in Fund Balance— Budget and Actual—General Fund	52						
Exhibit 10	Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios	53						
Exhibit 11	Schedule of Employer Contributions	54						
Exhibit 12	Notes to Required Supplementary Information	55						
Other Supplementary Information:								

Other Supplementary Information:

Combining Fund Financial Statements:

Exhibit 13	Combining Statement of Revenues, Expenditures and Changes in Fund
	Balances Nonmajor Governmental Funds

		Page				
Supporting Sche	edules:					
Schedule 1	Schedule of Revenues—Budget and Actual—General Fund	57-58				
Schedule 2	Schedule of Expenditures-Budget and Actual-General Fund	59-63				
Statistical Inform	mation:					
Table 1	Changes in Net Position	64				
Table 2	Changes in Fund Balances—Governmental Funds	65-66				
Table 3	Schedule of Legal Debt Margin	67				
Table 4	Property Tax Levies and Collections	68				
Table 5	Assessed Value of Taxable Property	69				
Compliance:						
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards7						

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 Activities				Busin Act	ess tivit	51	Totals			
	_	2015		2014		2015		2014		2015	_	2014
Current and other assets Capital assets	\$	769,901 1,998,795	\$	528,583 1,947,249	\$	609,154 18,977,773	\$	775,812 19,388,834	\$	1,379,055 20,976,568	\$	1,304,395 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 of resources	\$	2,792,312	_\$_	2,475,832	\$	19,599,040	\$	20,164,646	\$	22,391,352	\$	22,640,478
Current liabilities Long-term liabilities	\$	59,510 200,511	\$	81,672 195,075	\$	648,317 8,660,476	\$	892,385 9,080,926	\$	707,827 8,860,987	\$	974,057 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: Net investment in capital assets Unrestricted	\$	1,789,873 680,981	\$	1,745,609 453,476	\$	9,908,956 349,780	\$	9,901,563 289,772	\$	11,698,829 1,030,761	\$	11,647,172 743,248
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 Acti		Busines 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 Activities		Business- type Activities	Total	
ASSETS						
Current Assets:						
Cash and cash equivalents 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): 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 Accrued interest payable	\$	29,167	\$	18,728 \$ 7,827	47,8 7,8	
Unearned revenue		-		199,973	7,8 199,9	
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 for Services		Operating Grants and Contributions		Capital Grants and Contributions		
Governmental activities: General government administration Public safety Public works Parks, recreation and cultural Interest and other fiscal charges	\$	302,632 347,946 283,050 119,280 8,280	\$	- 18,946 73,040 82,937 -	\$	- 35,548 1,059 -	\$	- 17,000 - 16,621 -		
Total governmental activities	\$	1,061,188	\$	174,923	\$	36,607	\$	33,621		
Business-type activities: 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: General property taxes Local sales and use taxes Consumers utility taxes Meals taxes Business license taxes Bank franchise taxes Other local taxes Unrestricted revenues from use of money and property Grants and contributions not restricted to specific programs Miscellaneous 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- 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 Activities (302,632) (276,452) (208,951) (19,722) (8,280) (816,037) (816,037) - (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 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 Activities Business- type 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 ActivitiesBusiness- type 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 Cash and cash equivalents Receivables (Net of allowance for uncollectibles): Taxes, including penalties 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 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 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 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 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. 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 payable in the current period and accordingly are not reported as fund liabilities. All 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 Fund	_	Other Governmental Funds	Total
Revenues: 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 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 Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following details support this adjustment.	1		
Depreciation expense Capital outlay	\$	(60,485) 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:	- 5 1		
Principal retired on note payable Principal retired on general obligation bond Issuance of note payable		5,238 19,480 (32,000)	(7,282)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	۱		
Change in net pension asset Change in deferred outflows of resources	\$	77,166 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 Fund Water and 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 Current liabilities: Accounts payable Accrued interest payable Due to other funds Unearned revenue Compensated absences - current portion Bonds and note payable - current portion Total current liabilities Noncurrent liabilities: Bonds and note payable - net of current portion Compensated absences - net of current portion Total noncurrent liabilities	\$ \$ \$	18,728 7,827 339,789 199,973 1,345 420,444 988,106 8,648,373 12,103 8,660,476
Total liabilities	\$	9,648,582
DEFERRED INFLOWS OF RESOURCES: 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 Fund Water and Sewer Fund
Operating revenues: Charges for water services Charges for sewer services	\$	266,305 583,525
Total operating revenues	\$	849,830
Operating expenses: Water:	_	
Personnel services	\$	60,759
Benefits		17,451
Contractual services Other charges		12,858 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 Fund Water and Sewer Fund
Cash flows from operating activities: Receipts from customers and users Payments to employees (including fringe benefits) Payments for operating activities	\$	894,797 (283,041) (365,908)
Net cash provided by (used for) operating activities	\$_	245,848
Cash flows from capital and related financing activities: Retirement of indebtedness Federal and state contributions Purchase of capital assets Interest paid on loans	\$	(418,454) 335,790 (268,444) (105,526)
Net cash provided by (used for) capital and related financing activities	\$_	(456,634)
Cash flows from noncapital financing activities: 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) operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided	\$	(223,305)
provided by (used for) operating activities: Depreciation		479,505
Changes in operating assets and liabilities: (Increase) decrease in accounts receivable (Increase) decrease in prepaid items Increase (decrease) in accounts payable Increase (decrease) in deferred outflows of resources Decrease (increase) in deferred inflows of resources (Increase) decrease in net pension asset Increase (decrease) in compensated absenses	-	44,967 (268) (45,653) (1,060) 31,511 (39,579) (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	Financial Statements	
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 Activities	Business-type Activities
Net position as reported at June 30, 2014	\$ 2,199,085	\$ 10,191,335
Implementation of GASB 68	117,898	60,301
Net position as restated at June 30, 2014	\$ 2,316,983	\$ 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 July 1, 2014		Increases	Decreases		Balance June 30, 2015
Governmental Activities:						
Capital assets not being depreciated:						
Land	\$ 908,494	\$	-	\$ -	\$	908,494
Construction in progress	 -		55,748	 -	-	55,748
Total capital assets not being depreciated	\$ 908,494	_ \$ _	55,748	\$ -	\$.	964,242
Capital assets being depreciated:						
Buildings and improvements	\$ 986,958	\$	4,578	\$ -	\$	991,536
Machinery and equipment	492,475		51,705	-		544,180
Infrastructure	 1,401,760		-	 		1,401,760
Total capital assets being depreciated	\$ 2,881,193	_ \$ _	56,283	\$ -	\$.	2,937,476
Accumulated depreciation:						
Buildings and improvements	\$ 534,335	\$	17,028	\$ -	\$	551,363
Machinery and equipment	462,457		8,413	-		470,870
Infrastructure	 845,646		35,044	 		880,690
Total accumulated depreciation	\$ 1,842,438	_\$_	60,485	\$ -	\$	1,902,923
Total capital assets being depreciated, net	\$ 1,038,755	_\$_	(4,202)	\$ -	\$.	1,034,553
Net capital assets	\$ 1,947,249	\$	51,546	\$ -	\$	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 July 1, 2014	Increases	Decreases		Balance June 30, 2015
Business-type Activities:	•				- ·	
Capital assets not being depreciated:						
Construction in progress	\$.	276,070	\$ 254,949	\$ 531,019	\$	-
Total capital assets not being depreciated	\$	276,070	\$ 254,949	\$ 531,019	\$	
Capital assets being depreciated:						
Buildings and improvements	\$	5,284,540	\$ -	\$ -	\$	5,284,540
Machinery and equipment		1,995,802	13,495	-		2,009,297
Infrastructure	-	15,807,976	 331,019	 -		16,138,995
Total capital assets being depreciated	\$	23,088,318	\$ 344,514	\$ -	\$	23,432,832
Accumulated depreciation:						
Buildings and improvements	\$	1,045,827	\$ 135,962	\$ -	\$	1,181,789
Machinery and equipment		1,866,347	23,027	-		1,889,374
Infrastructure	-	1,063,380	 320,516	 -		1,383,896
Total accumulated depreciation	\$	3,975,554	\$ 479,505	\$ -	\$	4,455,059
Other capital assets, net	\$	19,112,764	\$ (134,991)	\$ -	\$	18,977,773
Net capital assets	\$	19,388,834	\$ 119,958	\$ 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 July 1, 2014	 Issuances / Increases	 Retirements / Decreases	Balance June 30, 2015	<u>)</u>	Amounts Due Within One Year
Governmental Activities							
Notes payable	\$	12,489	\$ 32,000	\$ 5,238	\$ 39,251	\$	7,867
General obligation bond		189,151	-	19,480	169,671		20,283
Compensated absences	-	17,453	 5,825	 1,346	 21,932		2,193
Total Governmental							
Activities	\$	219,093	\$ 37,825	\$ 26,064	\$ 230,854	\$	30,343
Business-type Activities							
General obligation bonds	\$	9,479,490	\$ -	\$ 415,771	\$ 9,063,719	\$	417,761
Note payable		7,781	-	2,683	5,098		2,683
Compensated absences	-	13,718	 -	 270	 13,448		1,345
Total Business-type							
Activities	\$	9,500,989	\$ -	\$ 418,724	\$ 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 \$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%\$201, interest at 0.00%\$2\$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%9\$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%9\$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%2,2\$5,032,725 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%3,2\$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%2,2Total 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 December 15, 2000, payable in semi-annual installments of \$22,500 through April 2021, interest at 0.00%\$\$2\$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%\$\$447,000 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%\$\$2,989,099Virginia Resources Authority General Obligation Bond issued September 1, 2008, payable in semi-annual installments of \$49,818 through March 2038, interest at 0.00%\$\$2,398,000 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%\$\$2,2989,099Virginia Resources Authority General Obligation Bond issued September 1, 2009 payable in semi-annual installments of \$125,818 through March 2030, interest at 0.00%\$\$2,2989,000USDA 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%\$\$2,298Yang General Obligation Bonds\$\$3,2\$\$\$40,000Yang 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%\$\$2,2Yang 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, 2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%247,000 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%22,989,009 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%2,2\$5,032,725 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%2,2,398,000 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%2,2Total General Obligation Bonds\$ 9,0	
2007, payable in quarterly installments of \$13,975 through February 2047, interest at 4.125%9\$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%9\$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%2,2\$5,032,725 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%3,2\$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%2,2Total General Obligation Bonds\$ 9,0	270,000
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%\$5,032,725 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 Bonds, issued March 27, 2009, payable in quarterly installments of \$25,491 beginning June 27, 2011 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 March 2030, interest at 0.00%3,2\$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%2,2Total General Obligation Bonds\$ 9,0	,
2009, payable in quarterly installments of \$25,491 beginning June 27, 2011 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	 Payable
Water and Sewer	\$	-	\$ 339,789
Rehabilitation		92,989	-
General	_	339,789	92,989
Total	\$	432,778	\$ 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 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	 About the Hybrid Retirement Plan 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") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. 						

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

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

NOTE 8-PENSION PLAN: (CONTINUED)

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

NOTE 8-PENSION PLAN: (CONTINUED)

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

NOTE 8-PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		UED)
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	 Vesting (Cont.) <u>Defined Contributions</u> <u>Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> 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.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution</u> <u>Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non- hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution</u> <u>Component:</u> Not applicable.

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

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

NOTE 8-PENSION PLAN: (CONTINUED)

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

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

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 Long-Term Expected	Weighted Average Long-Term 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 Increase (Decrease)						
	_	Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (Asset) (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 of Resources	 Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 92,948	
Employer contributions subsequent to the measurement date	 35,729	 	
Total	\$ 35,729	\$ 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	\$ (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	Financial Statements	
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 Budget		Budget As Amended		Actual	Variance From Amended Budget Positive (Negative)	
Revenues: General property taxes Other local taxes Fines and forfeitures Revenue from use of money and property Charges for services Miscellaneous Intergovernmental: Commonwealth Federal	\$	507,300 379,300 10,000 35,000 172,550 75,000 45,850	\$	507,300 379,300 10,000 35,000 172,550 68,413 45,850 7,047	\$	440,035 \$ 428,063 18,946 29,574 155,977 20,855 104,872 33,621	(67,265) 48,763 8,946 (5,426) (16,573) (47,558) 59,022 26,574	
Total revenues Expenditures: Current:	\$_	1,225,000	\$	1,225,460	\$	1,231,943 \$	6,483	
General government administration Public safety Public works Parks, recreation and cultural Nondepartmental Debt service: Principal retirement	\$	292,628 352,956 290,686 121,010 15,364 26,782	\$	310,098 357,246 290,686 121,010 10,364 26,782	\$	299,455 \$ 378,356 271,733 167,883 344 24,718	10,643 (21,110) 18,953 (46,873) 10,020 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 over (under) expenditures	\$	125,574	\$	109,274	\$	81,174_\$	(28,100)	
Other financing sources (uses): Issuance of note payable Transfers in	\$	-	\$	-	\$	32,000 \$ 4,108	32,000 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 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 Relation to		Employer's	Contributions as a % of
	C	ontractually Required	Contractually Required	Contribution Deficiency	Covered Employee	Covered Employee
Date	C	ontribution (1)	Contribution (2)	(Excess) (3)	Payroll (4)	Payroll (5)
2015	\$	35,729	\$ 35,729	\$ -	\$ 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 habilitation Fund	 Police Seizure Fund	 Total Nonmajor Governmental Funds
REVENUES				
Revenue from the use of money	\$	57	\$ -	\$ 57
Total revenues	\$	57	\$ -	\$ 57
Other financing sources (uses):				
Transfers (out)	\$	-	\$ (4,108)	\$ (4,108)
Net change in fund balances	\$	57	\$ (4,108)	\$ (4,051)
Fund balances - beginning		145,725	 4,108	 149,833
Fund balances - ending	\$	145,782	\$ -	\$ 145,782

Supporting Schedules

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	 Actual	 Variance From Amended Budget Positive (Negative)
General Fund						
Revenue from local sources:						
General property taxes:						
Real property taxes	\$	300,000	\$	300,000	\$ 309,687	\$ 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	 20,121	 10,121
Total general property taxes	\$	507,300	\$	507,300	\$ 440,035	\$ (67,265)
Other local taxes:						
Local sales and use taxes	\$	82,000	\$	82,000	\$ 66,873	\$ (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	 113,686	 26,186
Total other local taxes	\$	379,300	\$	379,300	\$ 428,063	\$ 48,763
Fines and Forfeitures:						
Court fines and forfeitures	\$	10,000	_ \$ _	10,000	\$ 18,946	\$ 8,946
Revenue from use of money and property:						
Revenue from use of money	\$	2,200	\$	2,200	\$ 199	\$ (2,001)
Revenue from use of property	_	32,800		32,800	 29,375	 (3,425)
Total revenue from use of money and property	\$	35,000	\$	35,000	\$ 29,574	\$ (5,426)
Charges for services:						
Boat dockage and ramp fees	\$	57,800	\$	57,800	\$ 37,444	\$ (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	 -	 (300)
Total charges for services	\$	172,550	\$	172,550	\$ 155,977	\$ (16,573)

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

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

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

Fund, Function, Activity and Elements	 Original Budget	Budget As Amended		Actual	Variance with Final Budget - Positive (Negative)
General Fund:					
General government administration:					
Legislative:					
Mayor and council	\$ 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	 2,500	2,500		1,611	889
Total legislative	\$ 31,681 \$	34,681	\$	25,721 \$	8,960
General and financial administration:					
Salaries	\$ 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	\$ 260,947 \$	275,417	\$	273,734	5 1,683
Total general government administration	\$ 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	 Duuget	Timonaoa	Actual	 (Negative)
eneral Fund: (Continued)				
Public safety:				
Law enforcement:				
Salaries for officers	\$ 199,743 \$	199,743	\$ 205,472	\$ (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	 15,000	15,000	33,450	 (18,450)
Total law enforcement	\$ 322,456 \$	326,746	\$ 355,856	\$ (29,110)
Fire and rescue:				
Contributions fire companies	\$ 22,500 \$	22,500	\$ 22,500	\$ -
Fire programs funding	 8,000	8,000		 8,000
Total fire and rescue	\$ 30,500 \$	30,500	\$ 22,500	\$ 8,000
Total public safety	\$ 352,956 \$	357,246	\$ 378,356	\$ (21,110)

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

Fund, Function, Activity and Elements		Original Budget		Budget As Amended		Actual	Variance with Final Budget - Positive (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 Budget		Budget As Amended		Actual		Variance with Final Budget - Positive (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 Budget	Budget As Amended	 Actual		Variance with Final Budget - Positive (Negative)
General Fund: (Continued)						
Parks, recreation and cultural: (Continued)						
Wharf and marina:						
Salaries	\$	25,090	\$ 25,090	\$ 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	 1,500	 2,404		(904)
Total wharf and marina	\$	86,172	\$ 86,172	\$ 135,491	\$	(49,319)
Christmas lighting:						
Electricity	\$	250	\$ 250	\$ 109	\$	141
Repairs and maintenance		1,000	1,000	215		785
Christmas parade		3,000	 3,000	 1,532		1,468
Total Christmas lighting	\$	4,250	\$ 4,250	\$ 1,856	\$	2,394
Total parks, recreation, and cultural	\$	121,010	\$ 121,010	\$ 167,883	\$	(46,873)
Debt service:						
Principal retirement	\$	26,782	\$ 26,782	\$ 24,718	\$	2,064
Interest and other fiscal charges	•			8,280	•	(8,280)
Total debt service	\$	26,782	\$ 26,782	\$ 32,998	\$	(6,216)
Nondepartmental:						
Contingencies	\$	15,364	\$ 10,364	\$ 344	\$	10,020
Total General Fund	\$	1,099,426	\$ 1,116,186	\$ 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	\$	303,205 325,075	\$ 391,42 395,61		390,396 310,541	\$	493,199 \$ 282,548	312,234 341,356	\$	360,651 \$ 354,843	302,632 347,946
Public Safety Public Works		325,075 245,530	270,67		282,050		282,548 298,067	341,356		354,843 250,481	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 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	939,787 194,187	» 	- 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 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	 2007	 2008	_	2009	 2010	
Revenues								
General property taxes	\$	373,633	\$ 426,969	\$ 429,238	\$	438,833	\$ 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	 53,323	 55,949	_	54,172	 51,941	
Total Revenues	\$	897,101	\$ 943,941	\$ 975,352	\$	918,864	\$ 983,442	\$
Expenditures								
General administration	\$	257,169	\$ 270,992	\$ 270,741	\$	289,523	\$ 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	_	-	 -	 445,641	_	72,848	 224,709	
Total Expenditures	\$	880,877	\$ 878,118	\$ 2,191,592	\$	1,031,234	\$ 1,118,183	\$
Excess (deficiency) of revenues over (under) expenditures	\$	16,224	\$ 65,823	\$ (1,216,240)	\$	(112,370)	\$ (134,741)	\$
Other Financing Sources (Uses)								
Issuance of notes payable	\$	-	\$ -	\$ -	\$	-	\$ -	\$
Sale of capital assets	_	-	 -	 -	_	-	 184,625	
Total Other Financing Sources (Uses)	\$	-	\$ -	\$ -	\$	-	\$ 184,625	\$
Net Change in Fund Balance	\$	16,224	\$ 65,823	\$ (1,216,240)	\$	(112,370)	\$ 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 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: 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
 Year	 Levy (1)	Collections	to Tax Levy
2006	\$ 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

 Fiscal Year	 Real Estate (1)	Personal Property	Public Service (2)	Total	
2006	\$ 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