

MUNICIPAL CORPORATION  
OF  
CAPE CHARLES, VIRGINIA



ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED JUNE 30, 2023



**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

ANNUAL FINANCIAL REPORT  
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**Independent Auditors' Report**

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**To the Honorable Members of the Municipal Corp. Council  
Municipal Corporation of Cape Charles  
Cape Charles, Virginia**

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Municipal Corporation of Cape Charles, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2023, 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.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Municipal Corporation of Cape Charles, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Corporation of Cape Charles, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Corporation of Cape Charles, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and compliance.

*Robinson, Fournier, Cox Associates*  
Richmond, Virginia  
March 14, 2024

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To the Honorable Members of the Municipal Corporation Council  
To the Citizens of the Municipal Corporation of Cape Charles  
Cape Charles, Virginia

As management of Municipal Corporation of Cape Charles, Virginia (the "Municipal Corp.") we offer readers of the Municipal Corp.'s financial statements this narrative overview and analysis of the financial activities of the Municipal Corp. for the fiscal year ended June 30, 2023. Please read it in conjunction with the Municipal Corp.'s basic financial statements, which follow this section.

### **Financial Highlights**

#### **Government-wide Financial Statements**

- < The assets and deferred outflows of resources of the Municipal Corp. exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$33,684,769 (net position).

#### **Fund Financial Statements**

Governmental funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses by \$1,099,718 (Exhibit 5).

- < As of the close of the current fiscal year, the Municipal Corp.'s general fund reported an ending fund balance of \$3,567,175, an increase of \$745,863 in comparison with the prior year.
- < The combined long-term obligations decreased \$589,745 during the current fiscal year.

### **Overview of the Financial Statements**

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Overview of the Financial Statements (Continued)

#### Government-wide financial statements (Continued)

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

The statement of activities presents information showing how the Municipal Corp.'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 Municipal Corp. 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 Municipal Corp. include general government, police protection, cultural events, recreation, and community development.

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

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Municipal Corp. has four major governmental funds - the General Fund, the Special Revenue Fund, the Debt Service Fund, and the Capital Projects fund.

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water and Sewer Fund provides a centralized source for water/sewer services. The Harbor Fund provides docking facilities and fuel sales for harbor customers. The Sanitation Fund provides refuse collection services.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedules related to pension and OPEB funding. Other supplementary information consists of detailed budgetary schedules and statistical information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Municipal Corp.'s financial position. In the case of the Municipal Corp., assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,684,769 at the close of the most recent fiscal year. The following table summarizes the Municipal Corp.'s Statement of Net Position:

Municipal Corporation of Cape Charles, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,490,661	\$ 4,612,394	\$ 4,615,225	\$ 4,603,764	\$10,105,886	\$ 9,216,158
Capital assets	5,833,688	5,501,206	24,589,674	25,286,006	30,423,362	30,787,212
<b>Total assets</b>	<b>\$11,324,349</b>	<b>\$10,113,600</b>	<b>\$29,204,899</b>	<b>\$29,889,770</b>	<b>\$40,529,248</b>	<b>\$40,003,370</b>
Deferred outflows of resources:						
Pension related items	\$ 130,552	\$ 170,370	\$ 43,517	\$ 56,790	\$ 174,069	\$ 227,160
OPEB related items	16,105	19,440	5,368	6,478	21,473	25,918
<b>Total deferred outflows of resources</b>	<b>\$ 146,657</b>	<b>\$ 189,810</b>	<b>\$ 48,885</b>	<b>\$ 63,268</b>	<b>\$ 195,542</b>	<b>\$ 253,078</b>
Current liabilities	\$ 844,626	\$ 909,472	\$ 449,081	\$ 464,892	\$ 1,293,707	\$ 1,374,364
Long-term liabilities outstanding	900,251	1,000,770	4,639,864	5,129,090	5,540,115	6,129,860
<b>Total liabilities</b>	<b>\$ 1,744,877</b>	<b>\$ 1,910,242</b>	<b>\$ 5,088,945</b>	<b>\$ 5,593,982</b>	<b>\$ 6,833,822</b>	<b>\$ 7,504,224</b>
Deferred inflows of resources:						
Deferred revenue - prepaid taxes	\$ 31,718	\$ 7,878	\$ -	\$ -	\$ 31,718	\$ 7,878
Lease deferrals	6,184	8,245	-	-	6,184	8,245
Pension related items	110,542	387,871	36,848	129,290	147,390	517,161
OPEB related items	15,680	26,384	5,227	8,795	20,907	35,179
<b>Total deferred inflows of resources</b>	<b>\$ 164,124</b>	<b>\$ 430,378</b>	<b>\$ 42,075</b>	<b>\$ 138,085</b>	<b>\$ 206,199</b>	<b>\$ 568,463</b>
Net position:						
Net investment in capital assets	\$ 5,007,046	\$ 4,662,031	\$20,013,819	\$20,216,389	\$25,020,865	\$24,878,420
Restricted:						
Debt covenants	-	-	258,593	257,646	258,593	257,646
Net pension asset	349,541	562,262	116,514	187,421	466,055	749,683
Unrestricted	4,205,418	2,738,497	3,733,838	3,559,515	7,939,256	6,298,012
<b>Total net position</b>	<b>\$ 9,562,005</b>	<b>\$ 7,962,790</b>	<b>\$24,122,764</b>	<b>\$24,220,971</b>	<b>\$33,684,769</b>	<b>\$32,183,761</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (Continued)

During the current fiscal year, the Municipal Corp.'s net position increased by \$1,501,008. The following table summarizes the Municipal Corp.'s Statement of Activities:

Municipal Corporation of Cape Charles, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 470,813	\$ 385,314	\$ 3,125,144	\$ 3,113,450	\$ 3,595,957	\$ 3,498,764
Operating grants and contributions	75,659	558,235	-	51,433	75,659	609,668
Capital grants and contributions	446,819	48,000	663,462	30,754	1,110,281	78,754
General revenues:						
General property taxes	1,821,640	1,749,595	-	-	1,821,640	1,749,595
Other local taxes	1,961,575	1,569,161	-	-	1,961,575	1,569,161
Grants and other contributions not restricted	68,327	69,114	-	-	68,327	69,114
Other general revenues	148,398	49,789	119,551	747,255	267,949	797,044
<b>Total revenues</b>	<b>\$ 4,993,231</b>	<b>\$ 4,429,208</b>	<b>\$ 3,908,157</b>	<b>\$ 3,942,892</b>	<b>\$ 8,901,388</b>	<b>\$ 8,372,100</b>
Expenses:						
General government administration						
	\$ 1,279,860	\$ 952,855	\$ -	\$ -	\$ 1,279,860	\$ 952,855
Public safety	818,082	640,839	-	-	818,082	640,839
Public works	744,797	617,350	-	-	744,797	617,350
Parks, recreation, and cultural	306,925	381,941	-	-	306,925	381,941
Community development	283,613	806,835	-	-	283,613	806,835
Interest and other fiscal charges	22,468	16,979	-	-	22,468	16,979
Enterprise funds	-	-	3,944,635	3,211,494	3,944,635	3,211,494
<b>Total expenses</b>	<b>\$ 3,455,745</b>	<b>\$ 3,416,799</b>	<b>\$ 3,944,635</b>	<b>\$ 3,211,494</b>	<b>\$ 7,400,380</b>	<b>\$ 6,628,293</b>
Transfers	\$ 61,729	\$ (102,954)	\$ (61,729)	\$ 102,954	\$ -	\$ -
Change in net position	\$ 1,599,215	\$ 909,455	\$ (98,207)	\$ 834,352	\$ 1,501,008	\$ 1,743,807
Beginning of year	7,962,790	7,053,335	24,220,971	23,386,619	32,183,761	30,439,954
End of year	<u>\$ 9,562,005</u>	<u>\$ 7,962,790</u>	<u>\$24,122,764</u>	<u>\$24,220,971</u>	<u>\$33,684,769</u>	<u>\$32,183,761</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Financial Analysis of the Municipal Corp.'s Funds**

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

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

As of the end of the current fiscal year, the Municipal Corp.'s governmental funds reported a fund balance of \$4,210,267, an increase of \$1,099,718 in comparison with the prior year. \$3,559,582 of fund balance was unassigned.

**Proprietary Funds** - The Municipal Corp.'s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$3,733,838. Total net position decreased \$98,207.

### **General Fund Budgetary Highlights**

During the year, actual revenues and other sources were more than budgetary estimates by \$566,610. Actual expenditures and other uses were less than budgetary estimates by \$348,965, resulting in a positive variance of \$915,575.

### **Capital Asset and Debt Administration**

**Capital assets** - The Municipal Corp.'s investment in capital assets for its governmental activities and business type activities as of June 30, 2023, amounts to \$5,833,688 and \$24,589,674, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and leases.

Additional information on the Municipal Corp.'s capital assets can be found in Note 5 of this report.

**Long-term debt** - At the end of the current fiscal year, the Municipal Corp. had total long-term debt outstanding of \$5,285,920. Of this amount, \$5,205,073 comprises debt backed by the full faith and credit of the Municipal Corp.. The remainder of the Municipal Corp.'s debt represents amounts secured solely by specific property (notes payable and equipment leases).

During the current fiscal year, the Municipal Corp.'s total debt outstanding decreased by \$622,872.

Additional information on the Municipal Corp.'s long-term debt can be found in Note 6 of this report.

### **Next Year Budget**

The fiscal year 2024 total budget increased by approximately 35% due to planned capital project expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the Municipal Corporation of Cape Charles, Virginia's finances for all those with an interest in the Municipal Corp.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Municipal Corp. Manager, 2 Plum Street, Cape Charles, Virginia 23310.

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*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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Municipal Corporation of Cape Charles, Virginia  
Statement of Net Position  
June 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,226,658	\$ 648,466	\$ 1,875,124
Investments	3,627,560	108,649	3,736,209
Receivables (net of allowance for uncollectibles):			
Taxes receivable	68,777	-	68,777
Accounts receivable	166,898	400,744	567,642
Other receivable	-	90	90
Leases receivable	5,919	-	5,919
Due from other governmental units	37,715	-	37,715
Inventories	-	13,386	13,386
Prepaid items	7,593	-	7,593
Net pension asset	349,541	116,514	466,055
Restricted assets:			
Investments - facility fees	-	3,068,783	3,068,783
Investments - bond reserve	-	258,593	258,593
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,165,460	-	2,165,460
Buildings and improvements	669,852	65,150	735,002
Improvements other than buildings	-	4,696,040	4,696,040
Water and sewer system	-	19,339,380	19,339,380
Machinery and equipment	210,315	280,061	490,376
Lease equipment	21,009	-	21,009
Infrastructure	2,262,161	-	2,262,161
Construction in progress	504,891	209,043	713,934
Total assets	<u>\$ 11,324,349</u>	<u>\$ 29,204,899</u>	<u>\$ 40,529,248</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 130,552	\$ 43,517	\$ 174,069
OPEB related items	16,105	5,368	21,473
Total deferred outflows of resources	<u>\$ 146,657</u>	<u>\$ 48,885</u>	<u>\$ 195,542</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 153,719	\$ 227,852	\$ 381,571
Construction payable	116,577	-	116,577
Accrued liabilities	137,299	6,557	143,856
Customers' deposits	-	17,613	17,613
Accrued interest payable	-	32,307	32,307
Unearned revenue	437,031	164,752	601,783
Long-term liabilities:			
Due within one year	145,833	503,623	649,456
Due in more than one year	754,418	4,136,241	4,890,659
Total liabilities	<u>\$ 1,744,877</u>	<u>\$ 5,088,945</u>	<u>\$ 6,833,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 110,542	\$ 36,848	\$ 147,390
OPEB related items	15,680	5,227	20,907
Lease deferrals	6,184	-	6,184
Deferred revenue - property taxes	31,718	-	31,718
Total deferred inflows of resources	<u>\$ 164,124</u>	<u>\$ 42,075</u>	<u>\$ 206,199</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,007,046	\$ 20,013,819	\$ 25,020,865
Restricted:			
Debt service and bond covenants	-	258,593	258,593
Net pension asset	349,541	116,514	466,055
Unrestricted	4,205,418	3,733,838	7,939,256
Total net position	<u>\$ 9,562,005</u>	<u>\$ 24,122,764</u>	<u>\$ 33,684,769</u>

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

Municipal Corporation of Cape Charles, Virginia  
 Statement of Activities  
 For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Capital			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government		Total
							Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 1,279,860	\$ 2,326	\$ -	\$ -	\$ (1,277,534)	\$ -	\$ -	\$ -	\$ (1,277,534)
Public safety	818,082	467,432	69,564	-	(281,086)	-	-	-	(281,086)
Public works	744,797	-	1,595	-	(743,202)	-	-	-	(743,202)
Parks, recreation, and cultural	306,925	1,055	4,500	446,819	145,449	-	-	-	145,449
Community development	283,613	-	-	-	(283,613)	-	-	-	(283,613)
Interest on long-term debt	22,468	-	-	-	(22,468)	-	-	-	(22,468)
Total governmental activities	\$ 3,455,745	\$ 470,813	\$ 75,659	\$ 446,819	\$ (2,462,454)	\$ -	\$ -	\$ -	\$ (2,462,454)
Business-type activities:									
Water and Sewer	\$ 2,544,881	\$ 1,863,175	\$ -	\$ 663,462	\$ -	\$ (18,244)	\$ -	\$ (18,244)	\$ (18,244)
Harbor	1,098,682	980,231	-	-	-	(118,451)	-	(118,451)	(118,451)
Sanitation	301,072	281,738	-	-	-	(19,334)	-	(19,334)	(19,334)
Total business-type activities	\$ 3,944,635	\$ 3,125,144	\$ -	\$ 663,462	\$ -	\$ (156,029)	\$ (156,029)	\$ (156,029)	\$ (156,029)
Total primary government	\$ 7,400,380	\$ 3,595,957	\$ 75,659	\$ 1,110,281	\$ (2,462,454)	\$ (156,029)	\$ (156,029)	\$ (2,618,483)	\$ (2,618,483)
General revenues:									
General property taxes					\$ 1,821,640	\$ -	\$ -	\$ -	\$ 1,821,640
Restaurant food taxes					841,500	-	-	-	841,500
Business license taxes					336,460	-	-	-	336,460
Hotel and motel room taxes					536,209	-	-	-	536,209
Other local taxes					247,406	-	-	-	247,406
Unrestricted revenues from use of money and property					125,792	119,222	-	119,222	245,014
Miscellaneous					22,606	329	-	329	22,935
Grants and contributions not restricted to specific programs					68,327	-	-	-	68,327
Transfers					61,729	(61,729)	-	(61,729)	-
Total general revenues and transfers					\$ 4,061,669	\$ 57,822	\$ -	\$ 57,822	\$ 4,119,491
Change in net position					\$ 1,599,215	\$ (98,207)	\$ -	\$ (98,207)	\$ 1,501,008
Net position - beginning					7,962,790	24,220,971	-	-	32,183,761
Net position - ending					\$ 9,562,005	\$ 24,122,764	\$ -	\$ -	\$ 33,684,769

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

*FUND FINANCIAL STATEMENTS*

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Municipal Corporation of Cape Charles, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 254,507	\$ 189,986	\$ 782,165	\$ 1,226,658
Investments	3,411,729	-	215,831	3,627,560
Receivables:				
Taxes receivable	68,777	-	-	68,777
Accounts receivable	155,680	-	11,218	166,898
Lease receivable	5,919	-	-	5,919
Due from other governmental units	37,715	-	-	37,715
Prepaid items	7,593	-	-	7,593
Total assets	<u>\$ 3,941,920</u>	<u>\$ 189,986</u>	<u>\$ 1,009,214</u>	<u>\$ 5,141,120</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 151,219	\$ -	\$ 119,077	\$ 270,296
Accrued liabilities	137,299	-	-	137,299
Unearned revenue	-	179,850	257,181	437,031
Total liabilities	<u>\$ 288,518</u>	<u>\$ 179,850</u>	<u>\$ 376,258</u>	<u>\$ 844,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 80,043	\$ -	\$ -	\$ 80,043
Lease deferrals	6,184	-	-	6,184
Total deferred inflows of resources	<u>\$ 86,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,227</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Prepaid items	\$ 7,593	\$ -	\$ -	\$ 7,593
Committed	-	10,136	632,956	643,092
Unassigned	3,559,582	-	-	3,559,582
Total fund balance	<u>\$ 3,567,175</u>	<u>\$ 10,136</u>	<u>\$ 632,956</u>	<u>\$ 4,210,267</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,941,920</u>	<u>\$ 189,986</u>	<u>\$ 1,009,214</u>	<u>\$ 5,141,120</u>

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

**Municipal Corporation of Cape Charles, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2023**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Funds		\$	4,210,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets		\$	11,079,739
Accumulated depreciation			(5,246,051)
			5,833,688
The net pension asset is not an available resource and, therefore, is not reported in the funds.			
			349,541
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.			
Unavailable property taxes			48,325
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.			
Pension related items		\$	130,552
OPEB related items			16,105
			146,657
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:			
Bonds and notes payable		\$	(688,780)
Lease liabilities			(21,285)
Net OPEB liability			(62,492)
Compensated absences			(127,694)
			(900,251)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$	(110,542)
OPEB related items			(15,680)
			(126,222)
Net position of governmental activities			\$ 9,562,005

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

**Municipal Corporation of Cape Charles, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>					
General property taxes	\$ 1,787,303	\$ -	\$ -	\$ -	\$ 1,787,303
Other local taxes	1,961,575	-	-	-	1,961,575
Permits, privilege fees, and regulatory licenses	367,260	-	-	-	367,260
Fines and forfeitures	96,547	-	-	-	96,547
Revenue from the use of money and property	128,118	-	-	-	128,118
Charges for services	4,680	-	-	-	4,680
Miscellaneous	8,245	14,361	-	-	22,606
Recovered costs	44,746	16,085	-	-	60,831
Intergovernmental:					
Commonwealth	104,277	19,500	-	-	123,777
Federal	3,074	17,135	-	446,819	467,028
Total revenues	<u>\$ 4,505,825</u>	<u>\$ 67,081</u>	<u>\$ -</u>	<u>\$ 446,819</u>	<u>\$ 5,019,725</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 1,245,601	\$ -	\$ -	\$ -	\$ 1,245,601
Public safety	744,864	15,000	-	-	759,864
Public works	756,860	-	-	-	756,860
Parks, recreation, and cultural	171,999	13,500	-	-	185,499
Community development	249,000	31,142	-	-	280,142
Capital projects	-	-	-	602,192	602,192
Debt service:					
Principal retirement	6,824	-	122,286	-	129,110
Interest and other fiscal charges	1,376	-	21,092	-	22,468
Total expenditures	<u>\$ 3,176,524</u>	<u>\$ 59,642</u>	<u>\$ 143,378</u>	<u>\$ 602,192</u>	<u>\$ 3,981,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,329,301</u>	<u>\$ 7,439</u>	<u>\$ (143,378)</u>	<u>\$ (155,373)</u>	<u>\$ 1,037,989</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ -	\$ -	\$ 246,877	\$ 501,789	\$ 748,666
Transfers out	(583,438)	-	(103,499)	-	(686,937)
Total other financing sources (uses)	<u>\$ (583,438)</u>	<u>\$ -</u>	<u>\$ 143,378</u>	<u>\$ 501,789</u>	<u>\$ 61,729</u>
Net change in fund balance	\$ 745,863	\$ 7,439	\$ -	\$ 346,416	\$ 1,099,718
Fund balance - beginning	2,821,312	2,697	-	286,540	3,110,549
Fund balance - ending	<u>\$ 3,567,175</u>	<u>\$ 10,136</u>	<u>\$ -</u>	<u>\$ 632,956</u>	<u>\$ 4,210,267</u>

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

**Municipal Corporation of Cape Charles, Virginia**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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

Net change in fund balance - total governmental funds \$ 1,099,718

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 is a summary of items supporting this adjustment:

Capital asset additions	\$ 624,600	
Depreciation expense	<u>(292,118)</u>	332,482

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of changes in unavailable taxes.

Increase (decrease) in unavailable property taxes		34,337
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:

Principal retirement on general obligation bonds	\$ 99,900	
Principal retirement on notes payable	22,386	
Principal retirement on lease liabilities	<u>6,824</u>	129,110

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:

Change in compensated absences	\$ (27,398)	
Change in OPEB related items	6,176	
Change in pension related items	<u>24,790</u>	3,568

Change in net position of governmental activities		<u>\$ 1,599,215</u>
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The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2023

	Water and Sewer	Harbor	Sanitation	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 529,298	\$ 72,304	\$ 46,864	\$ 648,466
Investments	108,649	-	-	108,649
Accounts receivable, net of allowance for uncollectibles	210,282	168,018	22,444	400,744
Other receivables	90	-	-	90
Inventories	-	13,386	-	13,386
Total current assets	<u>\$ 848,319</u>	<u>\$ 253,708</u>	<u>\$ 69,308</u>	<u>\$ 1,171,335</u>
Noncurrent assets:				
Net pension asset	\$ 116,514	\$ -	\$ -	\$ 116,514
Restricted assets:				
Investments - facility fees	\$ 3,068,783	\$ -	\$ -	\$ 3,068,783
Investments - bond reserve	258,593	-	-	258,593
Total restricted assets	<u>\$ 3,327,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327,376</u>
Capital assets (net of accumulated depreciation):				
Water and sewer system	\$ 19,339,380	\$ -	\$ -	\$ 19,339,380
Buildings and improvements	-	65,150	-	65,150
Improvements other than buildings	-	4,696,040	-	4,696,040
Machinery and equipment	142,757	134,932	2,372	280,061
Construction in progress	136,962	72,081	-	209,043
Total capital assets	<u>\$ 19,619,099</u>	<u>\$ 4,968,203</u>	<u>\$ 2,372</u>	<u>\$ 24,589,674</u>
Total noncurrent assets	<u>\$ 23,062,989</u>	<u>\$ 4,968,203</u>	<u>\$ 2,372</u>	<u>\$ 28,033,564</u>
Total assets	<u>\$ 23,911,308</u>	<u>\$ 5,221,911</u>	<u>\$ 71,680</u>	<u>\$ 29,204,899</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 43,517	\$ -	\$ -	\$ 43,517
OPEB related items	5,368	-	-	5,368
Total deferred outflows of resources	<u>\$ 48,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,885</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 112,005	\$ 91,446	\$ 24,401	\$ 227,852
Accrued liabilities	6,557	-	-	6,557
Interest payable	23,422	8,885	-	32,307
Unearned revenue	164,752	-	-	164,752
Customer deposits payable	17,613	-	-	17,613
Bonds payable - current portion	417,196	82,109	-	499,305
Compensated absences - current portion	4,318	-	-	4,318
Total current liabilities	<u>\$ 745,863</u>	<u>\$ 182,440</u>	<u>\$ 24,401</u>	<u>\$ 952,704</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 3,597,198	\$ 479,352	\$ -	\$ 4,076,550
Compensated absences - net of current portion	38,860	-	-	38,860
Net OPEB liability	20,831	-	-	20,831
Total noncurrent liabilities	<u>\$ 3,656,889</u>	<u>\$ 479,352</u>	<u>\$ -</u>	<u>\$ 4,136,241</u>
Total liabilities	<u>\$ 4,402,752</u>	<u>\$ 661,792</u>	<u>\$ 24,401</u>	<u>\$ 5,088,945</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 36,848	\$ -	\$ -	\$ 36,848
OPEB related items	5,227	-	-	5,227
Total deferred inflows of resources	<u>\$ 42,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,075</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 15,604,705	\$ 4,406,742	\$ 2,372	\$ 20,013,819
Restricted for debt service and bond covenants	258,593	-	-	258,593
Restricted for net pension asset	116,514	-	-	116,514
Unrestricted	3,535,554	153,377	44,907	3,733,838
Total net position	<u>\$ 19,515,366</u>	<u>\$ 4,560,119</u>	<u>\$ 47,279</u>	<u>\$ 24,122,764</u>

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

**Municipal Corporation of Cape Charles, Virginia**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 661,018	\$ -	\$ -	\$ 661,018
Sewer	1,176,708	-	-	1,176,708
Harbor fees	-	425,060	-	425,060
Refuse collection	-	-	278,203	278,203
Fuel and oil sales	-	545,815	-	545,815
Penalties	25,449	-	3,535	28,984
Other revenues	-	9,356	-	9,356
Miscellaneous	329	-	-	329
Total operating revenues	<u>\$ 1,863,504</u>	<u>\$ 980,231</u>	<u>\$ 281,738</u>	<u>\$ 3,125,473</u>
<b>OPERATING EXPENSES</b>				
Personnel services	\$ 461,339	\$ 12,110	\$ -	\$ 473,449
Fringe benefits	121,387	3,819	-	125,206
Contractual services	524,859	317,248	282,090	1,124,197
Other supplies and expenses	707,744	520,484	16,610	1,244,838
Depreciation	674,456	224,108	2,372	900,936
Total operating expenses	<u>\$ 2,489,785</u>	<u>\$ 1,077,769</u>	<u>\$ 301,072</u>	<u>\$ 3,868,626</u>
Operating income (loss)	<u>\$ (626,281)</u>	<u>\$ (97,538)</u>	<u>\$ (19,334)</u>	<u>\$ (743,153)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 119,222	\$ -	\$ -	\$ 119,222
Connection fees	98,545	-	-	98,545
Facility fees	564,917	-	-	564,917
Interest and fiscal charges	(55,096)	(20,913)	-	(76,009)
Total nonoperating revenues (expenses)	<u>\$ 727,588</u>	<u>\$ (20,913)</u>	<u>\$ -</u>	<u>\$ 706,675</u>
Income (loss) before contributions and transfers	<u>\$ 101,307</u>	<u>\$ (118,451)</u>	<u>\$ (19,334)</u>	<u>\$ (36,478)</u>
Transfers in	-	103,499	-	103,499
Transfers out	(5,004)	-	(160,224)	(165,228)
Change in net position	<u>\$ 96,303</u>	<u>\$ (14,952)</u>	<u>\$ (179,558)</u>	<u>\$ (98,207)</u>
Net position - beginning	19,419,063	4,575,071	226,837	24,220,971
Net position - ending	<u>\$ 19,515,366</u>	<u>\$ 4,560,119</u>	<u>\$ 47,279</u>	<u>\$ 24,122,764</u>

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

Municipal Corporation of Cape Charles, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2023

	Water and Sewer	Harbor	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,836,644	\$ 1,055,182	\$ 277,505	\$ 3,169,331
Payments for operating expenses	(1,160,960)	(894,463)	(295,937)	(2,351,360)
Payments to employees	(588,910)	(15,929)	-	(604,839)
Net cash provided by (used for) operating activities	<u>\$ 86,774</u>	<u>\$ 144,790</u>	<u>\$ (18,432)</u>	<u>\$ 213,132</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	\$ (5,004)	\$ -	\$ (160,224)	\$ (165,228)
Transfers from other funds	-	103,499	-	103,499
Net cash provided by (used for) noncapital financing activities	<u>\$ (5,004)</u>	<u>\$ 103,499</u>	<u>\$ (160,224)</u>	<u>\$ (61,729)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	\$ (86,659)	\$ (117,945)	\$ -	\$ (204,604)
Principal payments on bonds	(412,330)	(81,432)	-	(493,762)
Connection fees	83,118	-	-	83,118
Facility fees	564,917	-	-	564,917
Interest payments	(57,268)	(22,068)	-	(79,336)
Net cash provided by (used for) capital and related financing activities	<u>\$ 91,778</u>	<u>\$ (221,445)</u>	<u>\$ -</u>	<u>\$ (129,667)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale (purchase) of investments	\$ (1,214,368)	\$ -	\$ -	\$ (1,214,368)
Net cash provided by (used for) investing activities	<u>\$ (1,214,368)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,214,368)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,040,820)	\$ 26,844	\$ (178,656)	\$ (1,192,632)
Cash and cash equivalents - beginning	1,570,118	45,460	225,520	1,841,098
Cash and cash equivalents - ending	<u>\$ 529,298</u>	<u>\$ 72,304</u>	<u>\$ 46,864</u>	<u>\$ 648,466</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (626,281)	\$ (97,538)	\$ (19,334)	\$ (743,153)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 674,456	\$ 224,108	\$ 2,372	\$ 900,936
(Increase) decrease in accounts receivable	(27,705)	74,951	(4,233)	43,013
(Increase) decrease in inventories	-	(3,750)	-	(3,750)
(Increase) decrease in prepaid items	19,327	-	-	19,327
(Increase) decrease in net pension asset	70,907	-	-	70,907
(Increase) decrease in deferred outflows of resources	14,383	-	-	14,383
Increase (decrease) in customer deposits	845	-	-	845
Increase (decrease) in accounts payable	67,592	(52,312)	2,763	18,043
Increase (decrease) in accrued liabilities	(15,276)	(669)	-	(15,945)
Increase (decrease) in compensated absences	4,138	-	-	4,138
Increase (decrease) in net OPEB liability	398	-	-	398
Increase (decrease) in deferred inflows of resources	(96,010)	-	-	(96,010)
Total adjustments	<u>\$ 713,055</u>	<u>\$ 242,328</u>	<u>\$ 902</u>	<u>\$ 956,285</u>
Net cash provided by (used for) operating activities	<u>\$ 86,774</u>	<u>\$ 144,790</u>	<u>\$ (18,432)</u>	<u>\$ 213,132</u>

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

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# MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023

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## ***Note 1 – Summary of Significant Accounting Policies:***

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The Municipal Corporation of Cape Charles, Virginia (the "Municipal Corp.") is governed by an elected mayor and a six-member Council. The Municipal Corp. provides a full range of services for its citizens. These services include police protection, sanitation services, and utilities.

The financial statements of Municipal Corporation of Cape Charles, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Municipal Corp.'s accounting policies are described below.

### Financial Statements

#### Government-wide and Fund Financial Statements

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) 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, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (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.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

# MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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## **Note 1 – Summary of Significant Accounting Policies: (Continued)**

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Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

### **A. 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 the 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 the Municipal Corp. of Cape Charles (the primary government). Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally and substantively separate from the government.

### **B. Individual Component Unit Disclosures**

*Blended Component Units.* The Municipal Corp. has no blended component units at June 30, 2023.

*Discretely Presented Component Units.* - The Municipal Corp. has no discretely presented component units at June 30, 2023.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

# MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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## ***Note 1 – Summary of Significant Accounting Policies: (Continued)***

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Municipal Corp., are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Municipal Corp.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the Municipal Corp. 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.

# MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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## **Note 1 – Summary of Significant Accounting Policies: (Continued)**

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

#### **1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

The General Fund is the primary operating fund of the Municipal Corp. 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.

The Special Revenue Fund is used to account for and report special activities. Revenues are derived primarily from recovered costs and state and federal grants. The Special Revenue Fund is considered a major fund for reporting purposes.

The Debt Service Fund is used to account for and report debt issuances and debt repayments. Revenues are derived primarily from transfers from other Municipal Corp. funds and issuances of debt. The Debt Service Fund is considered a major fund for reporting purposes.

The Capital Projects Fund is used to account for and report construction activity. Revenues are derived primarily from transfers from other Municipal Corp. funds and state and federal grants. The Capital Projects Fund is considered a major fund for reporting purposes.

#### **2. Proprietary Funds**

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

##### **Enterprise Funds**

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

### **D. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the Municipal Corp's. proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 1 – Summary of Significant Accounting Policies: (Continued)**

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**E. Investments**

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

Restricted investments consist of reserve accounts established as required by Rural Development bond covenants and invested facility fees of the water and sewer proprietary fund for future expansion.

**F. 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.

**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Municipal Corp. calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible utility billing, sanitation billing and harbor billing amounted to \$22,080, \$11,293, and \$14,034, respectively, at June 30, 2023. The allowance for uncollectible property taxes was \$50,213 at June 30, 2023.

**Real and Personal Property Tax Data:**

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Municipal Corp. bills and collects its own property taxes. Property taxes are based upon the rate levied by Municipal Corp. Council multiplied by the taxable assessed value. The assessed value of real and personal property is determined for the Municipal Corp. by the Commissioner of Revenue of the County of Northampton.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 1 – Summary of Significant Accounting Policies: (Continued)**

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**H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Municipal Corp. as land, buildings, and equipment with an initial individual cost of more than \$5,000 (with the exception of land values) and an estimated useful life in excess of two years.

As the Municipal Corp. constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease equipment, subscription assets, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Improvements other than buildings	5-40
Machinery and equipment	3-20
Lease equipment	3-10
Water/sewer system	15-50
Infrastructure	25

**I. Compensated Absences**

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

**Note 1 – Summary of Significant Accounting Policies: (Continued)**

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**J. Use of Estimates**

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

**K. Net Position**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Municipal Corp. 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 Municipal Corp.'s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**L. Pensions**

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

**M. Other Postemployment Benefits (OPEB)**

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

## MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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### **Note 1 – Summary of Significant Accounting Policies: (Continued)**

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#### **N. Long-term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **O. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of items for resale. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

#### **P. Fund Balance**

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

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

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

**Note 1 – Summary of Significant Accounting Policies: (Continued)**

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**P. Fund Balance (Continued)**

Municipal Corp. Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, 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 Municipal Corp. 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).

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Municipal Corp. has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on this item, reference the related notes.

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

**R. Leases and Subscription-Based IT Arrangements**

The Municipal Corp. has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

*Lessor*

The Municipal Corp. recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

**Note 1 – Summary of Significant Accounting Policies: (Continued)**

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**R. Leases and Subscription-Based IT Arrangements (Continued)**

*Lessee*

The Municipal Corp. recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

*Subscriptions*

The Municipal Corp. recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

*Key Estimates and Judgments*

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The Municipal Corp. uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Municipal Corp. uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The Municipal Corp. monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Municipal Corp. will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

## MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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### ***Note 2 – Stewardship, Compliance, and Accounting:***

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The following procedures are used by the Municipal Corp. in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1<sup>st</sup>, the Municipal Corp. Manager submits to the Municipal Corp. Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Municipal Corp. Council or Municipal Corp. Manager.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all Municipal Corp. units.
7. Expenditures exceeded appropriations in the Finance and General Properties departments at year-end.

### Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund for the fiscal year ended June 30, 2023.

### ***Note 3 – Deposits and Investments:***

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#### Deposits

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

#### Investments

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 3 – Deposits and Investments: (Continued)**

**Credit Risk of Debt Securities**

The Municipal Corp.’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The Municipal Corp.’s investment policy has an emphasis on high credit quality and known marketability. The Municipal Corp.’s policy seeks to maximize the rate of return on investments while maintaining a low level of risk.

Rated Debt Investments	Fair Quality Rating	
	AAAm	AA+f/S1
Local Government Investment Pool	\$ 453,988	\$ -
VML/VACO Virginia Investment Pool Stable Nav	5,338,404	-
VML/VACO Virginia Investment 1-3 Year High Quality Bond Fund	-	1,008,445
Money Market Mutual Fund	262,748	-
Total	<u>\$ 6,055,140</u>	<u>\$ 1,008,445</u>

**Interest Rate Risk**

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year	1-3 Years
	Local Government Investment Pool	\$ 453,988	\$ 453,988
VML/VACO Virginia Investment Pool Stable Nav	5,338,404	5,338,404	-
VML/VACO Virginia Investment Pool 1-3 Year High Quality Bond Fund	1,008,445	-	1,008,445
Total	<u>\$ 6,800,837</u>	<u>\$ 5,792,392</u>	<u>\$ 1,008,445</u>

**External Investment Pools**

**LGIP**

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 3 – Deposits and Investments: (Continued)**

**VML/VACO Virginia Investment Pool**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Municipal Corp. has measured fair value of the above Virginia Investment Pool Investment at the net asset value (NAV). The VML/VACO Virginia Investment Pool allows the Municipal Corp. to have the option to have access to withdraw funds twice a month, with a five-day notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources with one-time outlays (disasters, immediate capital needs, state budget cuts, etc.).

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Municipal Corp. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Municipal Corp. maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Municipal Corp. has the following recurring fair value measurements as of June 30, 2023:

Investment type	Balance June 30, 2023	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Money market mutual funds:</b>				
U.S. Government Obligations	\$ 262,748	\$ 262,748	\$ -	\$ -
	\$ 262,748	\$ 262,748	\$ -	\$ -

**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 4 – Due from Other Governments:**

At June 30, 2023, the Municipal Corp. has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Northampton	\$ 32,498
Commonwealth of Virginia:	
Communications tax	5,193
Auto rental tax	24
Total due from other governments	<u>\$ 37,715</u>

**Note 5 – Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

<b>Governmental Activities:</b>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,165,460	\$ -	\$ -	\$ 2,165,460
Construction in progress	-	504,891	-	504,891
Total capital assets not subject to depreciation	<u>\$ 2,165,460</u>	<u>\$ 504,891</u>	<u>\$ -</u>	<u>\$ 2,670,351</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,569,336	\$ -	\$ -	\$ 3,569,336
Machinery and equipment	1,626,653	105,595	-	1,732,248
Infrastructure	3,059,592	14,114	-	3,073,706
Lease equipment	34,098	-	-	34,098
Total capital assets subject to depreciation	<u>\$ 8,289,679</u>	<u>\$ 119,709</u>	<u>\$ -</u>	<u>\$ 8,409,388</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,822,522	\$ 76,962	\$ -	\$ 2,899,484
Machinery and equipment	1,435,695	86,238	-	1,521,933
Infrastructure	689,446	122,099	-	811,545
Lease equipment	6,270	6,819	-	13,089
Total accumulated depreciation	<u>\$ 4,953,933</u>	<u>\$ 292,118</u>	<u>\$ -</u>	<u>\$ 5,246,051</u>
Total capital assets subject to depreciation, net	<u>\$ 3,335,746</u>	<u>\$ (172,409)</u>	<u>\$ -</u>	<u>\$ 3,163,337</u>
Governmental activities capital assets, net	<u>\$ 5,501,206</u>	<u>\$ 332,482</u>	<u>\$ -</u>	<u>\$ 5,833,688</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 5 – Capital Assets: (Continued)**

Business-type Activities:	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not subject to depreciation:				
Construction in progress	\$ 65,041	\$ 144,002	\$ -	\$ 209,043
Capital assets subject to depreciation:				
Water and sewer system	\$ 30,207,813	\$ -	\$ -	\$ 30,207,813
Buildings and improvements	755,670	-	-	755,670
Improvements other than buildings	8,267,334	-	-	8,267,334
Machinery and equipment	1,158,132	60,602	-	1,218,734
 Total capital assets subject to depreciation	 \$ 40,388,949	 \$ 60,602	 \$ -	 \$ 40,449,551
Accumulated depreciation:				
Water and sewer system	\$ 10,231,218	\$ 637,215	\$ -	\$ 10,868,433
Buildings and improvements	657,944	32,576	-	690,520
Improvements other than buildings	3,393,656	177,638	-	3,571,294
Machinery and equipment	885,166	53,507	-	938,673
Total accumulated depreciation	\$ 15,167,984	\$ 900,936	\$ -	\$ 16,068,920
 Total capital assets subject to depreciation, net	 \$ 25,220,965	 \$ (840,334)	 \$ -	 \$ 24,380,631
Business-type activities capital assets, net	\$ 25,286,006	\$ (696,332)	\$ -	\$ 24,589,674

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 66,224
Public safety	24,734
Public works	48,165
Parks, recreation and cultural	152,995
 Total governmental activities	 \$ 292,118

Business-type activities:

Water and Sewer	\$ 674,456
Harbor	224,108
Sanitation	2,372
 Total business-type activities	 \$ 900,936

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 6 – Long-term Obligations:**

The following is a summary of long-term obligation transactions of the Municipal Corp. for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 100,296	\$ 37,428	\$ 10,030	\$ 127,694	\$ 12,769
Net OPEB liability	61,299	37,893	36,700	62,492	-
Lease liabilities	28,109	-	6,824	21,285	7,203
Direct borrowings and placements:					
General obligation bonds	729,118	-	99,900	629,218	102,870
Notes payable	81,948	-	22,386	59,562	22,991
Total obligations from governmental activities	<u>\$ 1,000,770</u>	<u>\$ 75,321</u>	<u>\$ 175,840</u>	<u>\$ 900,251</u>	<u>\$ 145,833</u>
Business-type activities:					
Compensated absences	\$ 39,040	\$ 8,042	\$ 3,904	\$ 43,178	\$ 4,318
Net OPEB liability	20,433	12,631	12,233	20,831	-
Direct borrowings and placements:					
General obligation bonds	<u>5,069,617</u>	<u>-</u>	<u>493,762</u>	<u>4,575,855</u>	<u>499,305</u>
Total obligations from business-type activities	<u>\$ 5,129,090</u>	<u>\$ 20,673</u>	<u>\$ 509,899</u>	<u>\$ 4,639,864</u>	<u>\$ 503,623</u>
Total long-term obligations	<u>\$ 6,129,860</u>	<u>\$ 95,994</u>	<u>\$ 685,739</u>	<u>\$ 5,540,115</u>	<u>\$ 649,456</u>

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 6 – Long-term Obligations: (Continued)**

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

Year Ending June 30	Governmental Activities						Business-type Activities Obligations	
	Direct Borrowings and Placements							
	Lease Liabilities		General Obligation Bonds		Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 7,203	\$ 996	\$ 102,870	\$ 16,379	\$ 22,991	\$ 1,521	\$ 499,305	\$ 69,641
2025	7,604	595	105,398	13,813	18,411	823	506,776	62,282
2026	5,857	184	107,493	11,187	18,160	409	515,682	54,709
2027	621	7	110,527	8,401	-	-	523,648	46,453
2028	-	-	49,747	6,238	-	-	535,427	38,299
2029	-	-	51,513	4,613	-	-	546,661	29,264
2030	-	-	53,265	2,933	-	-	553,413	19,898
2031	-	-	16,485	1,210	-	-	381,689	10,315
2032	-	-	16,905	798	-	-	385,269	6,802
2033	-	-	7,455	375	-	-	63,545	3,200
2034	-	-	7,560	189	-	-	64,440	1,611
Total	<u>\$ 21,285</u>	<u>\$ 1,782</u>	<u>\$ 629,218</u>	<u>\$ 66,136</u>	<u>\$ 59,562</u>	<u>\$ 2,753</u>	<u>\$ 4,575,855</u>	<u>\$ 342,474</u>

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**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 6 – Long-term Obligations: (Continued)**

Long-term obligations at June 30, 2023 are as follows:

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness:</u>	
<u>Governmental Activities:</u>	
<u>Lease liabilities:</u>	
Equipment lease - postage equipment - issued 7/1/21 through 10/1/25 @ 5.00%, quarterly payments of \$830	\$ 7,755
Equipment lease - copier - issued 7/1/21 through 4/27/26 @ 5.99%, monthly payments of \$250	7,792
Equipment lease - copier - issued 10/28/21 through 10/28/26 @ 5.35%, monthly payments of \$157	5,738
Total lease liabilities	<u>\$ 21,285</u>
<u>Direct borrowings and placements:</u>	
<u>General Obligation Bonds:</u>	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 211,595
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	261,383
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>156,240</u>
Total general obligation bonds	<u>\$ 629,218</u>
<u>Notes Payable:</u>	
\$90,000 Rural Development note issued June 23, 2021, due in annual installments of \$19,234 through June, 2026, interest at 2.25%. This note is secured by equipment.	\$ 54,577
\$23,000 Rural Development note issued June 26, 2019, due in annual installments of \$5,203 through June, 2024, interest at 4.25%. This note is secured by a police vehicle.	<u>4,985</u>
Total notes payable	<u>\$ 59,562</u>

**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 6 – Long-term Obligations: (Continued)**

Long-term obligations at June 30, 2023 are as follows: (continued)

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness: (Continued)</u>	
<u>Governmental Activities: (Continued)</u>	
<u>Other liabilities:</u>	
Compensated Absences (payable from the General Fund)	\$ <u>127,694</u>
Net OPEB Liability (payable from the General Fund)	\$ <u>62,492</u>
Total governmental activities obligations	\$ <u>900,251</u>
<u>Business-type Activities:</u>	
<u>Direct borrowings and placements:</u>	
General Obligation Bonds:	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 928,917
\$5,151,627 VRA Water Facilities Revolving Fund general obligation bond issued November 30, 2010, due in semi-annual installments of \$128,791 through May, 2032, interest at 0%.	2,170,561
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	144,617
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>1,331,760</u>
Total general obligation bonds	\$ <u>4,575,855</u>
<u>Other liabilities:</u>	
Compensated Absences (payable from Enterprise Funds)	\$ <u>43,178</u>
Net OPEB Liability (payable from Enterprise Funds)	\$ <u>20,831</u>
Total business-type activities obligations	\$ <u>4,639,864</u>

The Municipal Corp. has a working capital line of credit of \$500,000 with Atlantic Union Bank. Advances on the line-of-credit are collateralized by a general blanket assignment of all accounts, contracts or other receivables and proceeds. At June 30, 2023, the Municipal Corp. outstanding balance against this line of credit was \$0 and the interest rate was 3.75%. The line of credit was not utilized during the year ended June 30, 2023.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 7 – Deferred/Unavailable Revenue:**

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Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$80,043 consists of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$48,325 at June 30, 2023.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2023 but paid in advance by the taxpayers totaled \$31,718 at June 30, 2023.

**Note 8 – Litigation:**

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At June 30, 2023, there were no matters of litigation involving the Municipal Corp. or which would materially affect the Municipal Corp.'s financial position should any court decisions on pending matters not be favorable to the Municipal Corp.

**Note 9 – Risk Management and Commitments and Contingencies:**

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The Municipal Corp. 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 Municipal Corp. participates with other localities in a public entity risk pool for their coverage of workers' compensation, public officials' liability and all other risks of loss. The Municipal Corp. pays an annual premium to the pools for its general insurance through member premiums. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10 – Interfund Transfers:**

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Interfund transfers for the year ended June 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 583,438
Debt Service	246,877	103,499
Capital Projects	501,789	-
Water and Sewer	-	5,004
Sanitation	-	160,224
Harbor	103,499	-
Total	<u>\$ 852,165</u>	<u>\$ 852,165</u>

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## MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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### **Note 11 – Pension Plan:**

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#### ***Plan Description***

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

#### ***Benefit Structures***

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 11 – Pension Plan: (Continued)**

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***Average Final Compensation and Service Retirement Multiplier***

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

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	19
Inactive members:	
Vested inactive members	12
Non-vested inactive members	20
Active members active elsewhere in VRS	<u>7</u>
Total inactive members	39
Active members	<u>32</u>
Total covered employees	<u><u>90</u></u>

# MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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## **Note 11 – Pension Plan: (Continued)**

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### **Contributions**

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

The Municipal Corp.'s contractually required employer contribution rate for the year ended June 30, 2023 was 7.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 Municipal Corp. were \$109,916 and \$74,980 for the years ended June 30, 2023 and June 30, 2022, respectively.

### **Net Pension Liability (Asset)**

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Municipal Corp.'s net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

### **Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the Municipal Corp.'s Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 11 – Pension Plan: (Continued)**

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 11 – Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety with Hazardous Duty Benefits employees in the Municipal Corp.'s Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2020 rates

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 11 – Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 11 – Pension Plan: (Continued)**

**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Municipal Corp. was also provided with an opportunity to use an alternative

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 11 – Pension Plan: (Continued)**

**Discount Rate (Continued)**

employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 3,983,058	\$ 4,732,741	\$ (749,683)
Changes for the year:			
Service cost	\$ 169,128	\$ -	\$ 169,128
Interest	276,114	-	276,114
Differences between expected and actual experience	(25,653)	-	(25,653)
Contributions - employer	-	74,981	(74,981)
Contributions - employee	-	71,133	(71,133)
Net investment income	-	(7,359)	7,359
Benefit payments, including refunds	(123,208)	(123,208)	-
Administrative expenses	-	(2,906)	2,906
Other changes	-	112	(112)
Net changes	\$ 296,381	\$ 12,753	\$ 283,628
Balances at June 30, 2022	\$ 4,279,439	\$ 4,745,494	\$ (466,055)

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 11 – Pension Plan: (Continued)**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Municipal Corp.'s			
Net Pension Liability (Asset)	\$ 165,706	\$ (466,055)	\$ (972,870)

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

For the year ended June 30, 2023, the Municipal Corp. recognized pension expense of \$76,865. At June 30, 2023, the Municipal Corp. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,757	\$ 16,652
Change of assumptions	47,396	-
Net difference between projected and actual earnings on pension plan investments	-	130,738
Employer contributions subsequent to the measurement date	109,916	-
Total	\$ 174,069	\$ 147,390

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 11 – Pension Plan: (Continued)**

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

\$109,916 reported as deferred outflows of resources related to pensions resulting from the Municipal Corp.'s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2024	\$ (232)
2025	(59,664)
2026	(88,839)
2027	65,498
2028	-
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan):**

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***Plan Description***

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

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

## MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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### **Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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#### **Plan Description (Continued)**

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

#### **Eligible Employees**

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

#### **Benefit Amounts**

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

#### **Contributions**

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$9,145 and \$8,124 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

At June 30, 2023, the entity reported a liability of \$83,323 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer’s proportion was 0.00690% as compared to 0.00700% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$3,017. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,598	\$ 3,343
Net difference between projected and actual earnings on GLI OPEB plan investments	-	5,206
Change in assumptions	3,108	8,116
Changes in proportionate share	2,622	4,242
Employer contributions subsequent to the measurement date	<u>9,145</u>	<u>-</u>
Total	<u>\$ 21,473</u>	<u>\$ 20,907</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

\$9,145 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (1,105)
2025	(1,639)
2026	(4,754)
2027	(224)
2028	(857)
Thereafter	-

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

**Actuarial Assumptions: (Continued)**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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*Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*

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**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	 67.21%

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

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Municipal Corp’s proportionate share of the GLI Plan Net OPEB Liability	\$ 121,245	\$ 83,323	\$ 52,677

**GLI Plan Fiduciary Net Position**

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 13 – Line of Duty Act (LODA) (OPEB Benefits):**

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Municipal Corp. has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Municipal Corp. to VRSA. VRSA assumes all liability for the Municipal Corp.’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Municipal Corp.’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Municipal Corp.’s LODA premium for the year ended June 30, 2023 was \$5,605.

**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

Notes to Financial Statements  
June 30, 2023 (Continued)

**Note 14 – Lease Receivable:**

The Municipal Corp. leases land for a water tower site under a lease contract. In fiscal year 2023, the Municipal Corp. recognized lease and interest revenue in the amount of \$2,326 and \$74, respectively. A description of the lease is as follows:

Lease Description	Interest Rate	Installments	Start Date	End Date	Payment Frequency	Ending Balance
Water Tower	1.00%	\$ 600	1/26/2021	1/26/2026	quarterly	\$ 5,919

There are no variable payments for the leases receivable above.

Expected future payments at June 30, 2023 are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 2,350	\$ 50	\$ 2,400
2025	2,373	27	2,400
2026	1,196	4	1,200
Total	<u>\$ 5,919</u>	<u>\$ 81</u>	<u>\$ 6,000</u>

**Note 15 – Upcoming Pronouncements:**

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

**Implementation Guide No. 2021-1, *Implementation Guidance Update—2021***, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

**Implementation Guide No. 2023-1, *Implementation Guidance Update—2023***, effective for fiscal years beginning after June 15, 2023.

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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***Note 16 – Subsequent Events:***

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On January 13, 2023, the Municipal Corp. entered an agreement to sell the Municipal Corp.'s water and wastewater treatment facilities, water distribution system, and wastewater collection system to Virginia-American Water Company for \$15,000,000. The purchase of the Municipal Corp.'s water and wastewater assets is currently undergoing a review by multiple state agencies. The Municipal Corp. anticipates closing on the sale on May 1, 2024, at which point all Municipal Corp. operations at those facilities will cease.

*REQUIRED SUPPLEMENTARY INFORMATION*

**Municipal Corporation of Cape Charles, Virginia**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 1,760,304	\$ 1,760,304	\$ 1,787,303	\$ 26,999
Other local taxes	1,610,350	1,610,350	1,961,575	351,225
Permits, privilege fees, and regulatory licenses	230,833	230,833	367,260	136,427
Fines and forfeitures	50,550	50,550	96,547	45,997
Revenue from the use of money and property	39,750	39,750	128,118	88,368
Charges for services	1,950	1,950	4,680	2,730
Miscellaneous	5,450	20,792	8,245	(12,547)
Recovered costs	34,000	34,000	44,746	10,746
Intergovernmental:				
Commonwealth	101,507	101,507	104,277	2,770
Federal	31,400	34,579	3,074	(31,505)
Total revenues	\$ 3,866,094	\$ 3,884,615	\$ 4,505,825	\$ 621,210
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,327,106	\$ 1,377,848	\$ 1,245,601	\$ 132,247
Public safety - police department	850,473	859,439	744,864	114,575
Public works	695,845	703,485	756,860	(53,375)
Parks, recreation, and cultural	180,860	181,934	171,999	9,935
Community development	299,511	301,122	249,000	52,122
Debt service:				
Principal retirement	-	6,824	6,824	-
Interest and other fiscal charges	-	1,376	1,376	-
Total expenditures	\$ 3,353,795	\$ 3,432,028	\$ 3,176,524	\$ 255,504
Excess (deficiency) of revenues over (under) expenditures	\$ 512,299	\$ 452,587	\$ 1,329,301	\$ 876,714
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (676,899)	\$ (676,899)	\$ (583,438)	\$ 93,461
Issuance of notes payable	54,600	54,600	-	(54,600)
Total other financing sources (uses)	\$ (622,299)	\$ (622,299)	\$ (583,438)	\$ 38,861
Net change in fund balance	\$ (110,000)	\$ (169,712)	\$ 745,863	\$ 915,575
Fund balance - beginning	110,000	169,712	2,821,312	2,651,600
Fund balance - ending	\$ -	\$ -	\$ 3,567,175	\$ 3,567,175

Municipal Corporation of Cape Charles, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Special Revenue Fund  
For the Year Ended June 30, 2023

	Special Revenue Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Miscellaneous	\$ 6,000	\$ 13,817	\$ 14,361	\$ 544
Recovered costs	-	16,425	16,085	(340)
Intergovernmental:				
Commonwealth	19,500	19,500	19,500	-
Federal	-	-	17,135	17,135
Total revenues	<u>\$ 25,500</u>	<u>\$ 49,742</u>	<u>\$ 67,081</u>	<u>\$ 17,339</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, recreation, and cultural	10,500	18,317	13,500	4,817
Community development	309,850	333,410	31,142	302,268
Total expenditures	<u>\$ 335,350</u>	<u>\$ 366,727</u>	<u>\$ 59,642</u>	<u>\$ 307,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (309,850)</u>	<u>\$ (316,985)</u>	<u>\$ 7,439</u>	<u>\$ 324,424</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (584,000)	\$ (584,000)	\$ -	\$ 584,000
Total other financing sources and uses	<u>\$ (584,000)</u>	<u>\$ (584,000)</u>	<u>\$ -</u>	<u>\$ 584,000</u>
Net change in fund balances	\$ (893,850)	\$ (900,985)	\$ 7,439	\$ 908,424
Fund balances - beginning	893,850	900,985	2,697	(898,288)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,136</u>	<u>\$ 10,136</u>

Municipal Corporation of Cape Charles, Virginia  
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan  
 For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total pension liability</b>				
Service cost	\$ 169,128	\$ 164,575	\$ 165,879	\$ 151,056
Interest	276,114	233,295	209,212	201,705
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(25,653)	43,690	79,391	(142,946)
Changes of assumptions	-	138,542	-	97,484
Benefit payments	(123,208)	(106,543)	(88,851)	(89,865)
<b>Net change in total pension liability</b>	<u>\$ 296,381</u>	<u>\$ 473,559</u>	<u>\$ 365,631</u>	<u>\$ 217,434</u>
<b>Total pension liability - beginning</b>	<u>3,983,058</u>	<u>3,509,499</u>	<u>3,143,868</u>	<u>2,926,434</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 4,279,439</u>	<u>\$ 3,983,058</u>	<u>\$ 3,509,499</u>	<u>\$ 3,143,868</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 74,981	\$ 72,656	\$ 77,019	\$ 74,902
Contributions - employee	71,133	96,800	68,463	77,128
Net investment income	(7,359)	1,020,240	67,944	222,304
Benefit payments	(123,208)	(106,543)	(88,851)	(89,865)
Administrator charges	(2,906)	(2,414)	(2,230)	(2,071)
Other	112	97	(82)	(141)
<b>Net change in plan fiduciary net position</b>	<u>\$ 12,753</u>	<u>\$ 1,080,836</u>	<u>\$ 122,263</u>	<u>\$ 282,257</u>
<b>Plan fiduciary net position - beginning</b>	<u>4,732,741</u>	<u>3,651,905</u>	<u>3,529,642</u>	<u>3,247,385</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 4,745,494</u>	<u>\$ 4,732,741</u>	<u>\$ 3,651,905</u>	<u>\$ 3,529,642</u>
<b>Municipal Corporation's net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (466,055)</u>	<u>\$ (749,683)</u>	<u>\$ (142,406)</u>	<u>\$ (385,774)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	110.89%	118.82%	104.06%	112.27%
<b>Covered payroll</b>	\$ 1,504,384	\$ 1,448,614	\$ 1,483,394	\$ 1,398,895
<b>Municipal Corporation's net pension liability (asset) as a percentage of covered payroll</b>	-30.98%	-51.75%	-9.60%	-27.58%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 12

	2018	2017	2016	2015	2014
\$	146,357	\$ 123,278	\$ 131,962	\$ 117,294	\$ 96,808
	181,520	175,415	171,863	157,456	145,759
	113,556	-	-	-	-
	(53,377)	(45,840)	(145,730)	11,707	-
	-	(51,731)	-	-	-
	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
\$	278,524	\$ 82,837	\$ 61,683	\$ 221,594	\$ 156,470
	2,647,910	2,565,073	2,503,390	2,281,796	2,125,326
\$	<u>2,926,434</u>	<u>\$ 2,647,910</u>	<u>\$ 2,565,073</u>	<u>\$ 2,503,390</u>	<u>\$ 2,281,796</u>
\$	87,168	\$ 49,527	\$ 57,508	\$ 55,321	\$ 95,752
	66,054	58,943	56,761	54,670	54,200
	223,601	327,947	47,286	113,899	328,807
	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
	(1,856)	(1,872)	(1,606)	(1,494)	(1,701)
	(202)	(291)	(20)	(24)	18
\$	265,233	\$ 315,969	\$ 63,517	\$ 157,509	\$ 390,979
	2,982,152	2,666,183	2,602,666	2,445,157	2,054,178
\$	<u>3,247,385</u>	<u>\$ 2,982,152</u>	<u>\$ 2,666,183</u>	<u>\$ 2,602,666</u>	<u>\$ 2,445,157</u>
\$	(320,951)	\$ (334,242)	\$ (101,110)	\$ (99,276)	\$ (163,361)
	110.97%	112.62%	103.94%	103.97%	107.16%
\$	1,364,599	\$ 1,258,379	\$ 1,188,982	\$ 1,118,571	\$ 1,085,627
	-23.52%	-26.56%	-8.50%	-8.88%	-15.05%

## Municipal Corporation of Cape Charles, Virginia

Schedule of Employer Contributions - Pension Plan  
For the Years Ended June 30, 2014 through June 30, 2023

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Employee Payroll (5)
2023	\$ 109,916	\$ 109,916	\$ -	\$ 1,693,579	6.49%
2022	74,980	74,980	-	1,504,384	4.98%
2021	73,284	73,284	-	1,448,614	5.06%
2020	77,005	77,005	-	1,483,394	5.19%
2019	75,744	75,744	-	1,398,895	5.41%
2018	83,299	83,299	-	1,364,599	6.10%
2017	56,500	56,500	-	1,258,379	4.49%
2016	61,470	61,470	-	1,188,982	5.17%
2015	57,830	57,830	-	1,118,571	5.17%
2014	95,427	95,427	-	1,085,627	8.79%

Municipal Corporation of Cape Charles, Virginia

Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Municipal Corporation of Cape Charles, Virginia  
 Schedule of Municipality's Share of Net OPEB Liability  
 GLI Plan

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.00690%	\$ 83,323	\$ 1,504,384	5.54%	67.21%
2021	0.00700%	81,732	1,448,614	5.64%	67.45%
2020	0.00730%	121,825	1,501,676	8.11%	52.64%
2019	0.00713%	116,023	1,398,895	8.29%	52.00%
2018	0.00718%	109,000	1,364,599	7.99%	51.22%
2017	0.00682%	103,000	1,258,379	8.19%	48.86%

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

Municipal Corporation of Cape Charles, Virginia  
 Schedule of Employer Contributions  
 GLI Plan

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 9,145	\$ 9,145	\$ -	\$ 1,693,579	0.54%
2022	8,124	8,124	-	1,504,384	0.54%
2021	7,823	7,823	-	1,448,614	0.54%
2020	7,809	7,809	-	1,501,676	0.52%
2019	7,274	7,274	-	1,398,895	0.52%
2018	7,096	7,096	-	1,364,599	0.52%
2017	6,544	6,544	-	1,258,379	0.52%
2016	5,707	5,707	-	1,188,982	0.48%
2015	5,369	5,369	-	1,118,571	0.48%
2014	5,211	5,211	-	1,085,627	0.48%

Municipal Corporation of Cape Charles, Virginia  
 Notes to Required Supplementary Information  
 GLI Plan  
 For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*OTHER SUPPLEMENTARY INFORMATION*

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*INDIVIDUAL FUND STATEMENTS AND SCHEDULES*

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Municipal Corporation of Cape Charles, Virginia  
Debt Service Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 122,797	\$ 122,797	\$ 122,286	\$ 511
Interest and other fiscal charges	21,824	21,824	21,092	732
Total expenditures	\$ 144,621	\$ 144,621	\$ 143,378	\$ 1,243
Excess (deficiency) of revenues over (under) expenditures	\$ (144,621)	\$ (144,621)	\$ (143,378)	\$ 1,243
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 249,571	\$ 249,571	\$ 246,877	\$ (2,694)
Transfers out	(104,950)	(104,950)	(103,499)	1,451
Total other financing sources and uses	\$ 144,621	\$ 144,621	\$ 143,378	\$ (1,243)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Municipal Corporation of Cape Charles, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ 725,233	\$ 725,233	\$ -	\$ (725,233)
Federal	59,771	59,771	446,819	387,048
Total revenues	\$ 785,004	\$ 785,004	\$ 446,819	\$ (338,185)
<b>EXPENDITURES</b>				
Capital projects	\$ 1,867,732	\$ 1,892,732	\$ 602,192	\$ 1,290,540
Excess (deficiency) of revenues over (under) expenditures	\$ (1,082,728)	\$ (1,107,728)	\$ (155,373)	\$ 952,355
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,024,055	\$ 1,024,055	\$ 501,789	\$ (522,266)
Total other financing sources and uses	\$ 1,024,055	\$ 1,024,055	\$ 501,789	\$ (522,266)
Net change in fund balances	\$ (58,673)	\$ (83,673)	\$ 346,416	\$ 430,089
Fund balances - beginning	58,673	83,673	286,540	202,867
Fund balances - ending	\$ -	\$ -	\$ 632,956	\$ 632,956

*SUPPORTING SCHEDULES*

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Municipal Corporation of Cape Charles, Virginia  
 Schedule of Revenues - Budget and Actual

Schedule 1  
 Page 1 of 4

General Fund  
 For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,603,242	\$ 1,603,242	\$ 1,612,172	\$ 8,930
Personal property taxes	112,000	112,000	124,785	12,785
Machinery and tools taxes	22,750	22,750	24,129	1,379
Penalties and interest	22,312	22,312	26,217	3,905
Total general property taxes	<u>\$ 1,760,304</u>	<u>\$ 1,760,304</u>	<u>\$ 1,787,303</u>	<u>\$ 26,999</u>
Other local taxes:				
Local sales and use taxes	\$ 74,000	\$ 74,000	\$ 84,648	\$ 10,648
Consumers' utility taxes	59,000	59,000	61,090	2,090
Business license taxes	220,000	220,000	336,460	116,460
Motor vehicle licenses	24,150	24,150	28,813	4,663
Golf cart decals	17,500	17,500	25,979	8,479
Admissions taxes	14,000	14,000	12,986	(1,014)
Short term rental tax	12,000	12,000	9,451	(2,549)
Hotel and motel room taxes	475,000	475,000	536,209	61,209
Restaurant food taxes	704,000	704,000	841,500	137,500
Tobacco tax	10,000	10,000	23,810	13,810
Penalties and interest	700	700	629	(71)
Total other local taxes	<u>\$ 1,610,350</u>	<u>\$ 1,610,350</u>	<u>\$ 1,961,575</u>	<u>\$ 351,225</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 230,833	\$ 230,833	\$ 367,260	\$ 136,427
Total permits, privilege fees, and regulatory licenses	<u>\$ 230,833</u>	<u>\$ 230,833</u>	<u>\$ 367,260</u>	<u>\$ 136,427</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50,550	\$ 50,550	\$ 96,547	\$ 45,997
Total fines and forfeitures	<u>\$ 50,550</u>	<u>\$ 50,550</u>	<u>\$ 96,547</u>	<u>\$ 45,997</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,600	\$ 4,600	\$ 97,650	\$ 93,050
Revenue from use of property	35,150	35,150	30,468	(4,682)
Total revenue from use of money and property	<u>\$ 39,750</u>	<u>\$ 39,750</u>	<u>\$ 128,118</u>	<u>\$ 88,368</u>
Charges for services:				
Charges for parks and recreation	\$ 800	\$ 800	\$ 3,200	\$ 2,400
Charges for DMV stops and FOIA fees	850	850	425	(425)
Charges for library	300	300	1,055	755
Total charges for services	<u>\$ 1,950</u>	<u>\$ 1,950</u>	<u>\$ 4,680</u>	<u>\$ 2,730</u>
Miscellaneous:				
Miscellaneous	\$ 5,450	\$ 20,792	\$ 8,245	\$ (12,547)
Total miscellaneous	<u>\$ 5,450</u>	<u>\$ 20,792</u>	<u>\$ 8,245</u>	<u>\$ (12,547)</u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenues from local sources: (Continued)				
Recovered costs:				
County contribution for Library	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Other recovered costs	4,000	4,000	14,746	10,746
Total recovered costs	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 44,746</u>	<u>\$ 10,746</u>
Total revenue from local sources	<u>\$ 3,733,187</u>	<u>\$ 3,748,529</u>	<u>\$ 4,398,474</u>	<u>\$ 649,945</u>
<b>Intergovernmental:</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 33,500	\$ 33,500	\$ 32,712	\$ (788)
Rolling stock tax	4	4	191	187
Personal property tax relief funds	35,424	35,424	35,424	-
Total noncategorical aid	<u>\$ 68,928</u>	<u>\$ 68,928</u>	<u>\$ 68,327</u>	<u>\$ (601)</u>
Categorical aid:				
Other categorical aid:				
Law enforcement grant HB 599	\$ 31,250	\$ 31,250	\$ 34,355	\$ 3,105
Litter control	1,329	1,329	1,595	266
Total other categorical aid	<u>\$ 32,579</u>	<u>\$ 32,579</u>	<u>\$ 35,950</u>	<u>\$ 3,371</u>
Total categorical aid	<u>\$ 32,579</u>	<u>\$ 32,579</u>	<u>\$ 35,950</u>	<u>\$ 3,371</u>
Total revenue from the Commonwealth	<u>\$ 101,507</u>	<u>\$ 101,507</u>	<u>\$ 104,277</u>	<u>\$ 2,770</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid:				
JAG grant	\$ 2,000	\$ 5,179	\$ 3,074	\$ (2,105)
Rural Development grant	29,400	29,400	-	(29,400)
Total other categorical aid	<u>\$ 31,400</u>	<u>\$ 34,579</u>	<u>\$ 3,074</u>	<u>\$ (31,505)</u>
Total categorical aid	<u>\$ 31,400</u>	<u>\$ 34,579</u>	<u>\$ 3,074</u>	<u>\$ (31,505)</u>
Total revenue from the federal government	<u>\$ 31,400</u>	<u>\$ 34,579</u>	<u>\$ 3,074</u>	<u>\$ (31,505)</u>
Total General Fund	<u><u>\$ 3,866,094</u></u>	<u><u>\$ 3,884,615</u></u>	<u><u>\$ 4,505,825</u></u>	<u><u>\$ 621,210</u></u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Fund:</b>				
<b>Special Activities Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 6,000	\$ 13,817	\$ 14,361	\$ 544
Recovered costs:				
Town manager	\$ -	\$ 16,425	\$ 16,085	\$ (340)
Total revenue from local sources	\$ 6,000	\$ 30,242	\$ 30,446	\$ 204
Revenue from the Commonwealth:				
Categorical aid:				
Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Fire programs fund	15,000	15,000	15,000	-
Total categorical aid	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Total revenue from the Commonwealth	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Revenue from the federal government:				
Categorical aid:				
American Rescue Plan Act	\$ -	\$ -	\$ 17,135	\$ 17,135
Total categorical aid	\$ -	\$ -	\$ 17,135	\$ 17,135
Total revenue from the federal government	\$ -	\$ -	\$ 17,135	\$ 17,135
Total Special Activities Fund	\$ 25,500	\$ 49,742	\$ 67,081	\$ 17,339
<b>Capital Projects Fund:</b>				
<b>General Capital Projects Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Construction funds	\$ 725,233	\$ 725,233	\$ -	\$ (725,233)
Revenue from the federal government:				
Categorical aid:				
COVID-19 American Rescue Plan Act	\$ -	\$ -	\$ 446,819	\$ 446,819
Other categorical aid	59,771	59,771	-	(59,771)
Total categorical aid	\$ 59,771	\$ 59,771	\$ 446,819	\$ 387,048
Total revenue from the federal government	\$ 59,771	\$ 59,771	\$ 446,819	\$ 387,048
Total General Capital Projects Fund	\$ 785,004	\$ 785,004	\$ 446,819	\$ (338,185)

Municipal Corporation of Cape Charles, Virginia  
 Schedule of Revenues - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2023

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Total Primary Government	\$ 4,676,598	\$ 4,719,361	\$ 5,019,725	\$ 300,364

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Municipal Corporation of Cape Charles, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 49,873	\$ 49,873	\$ 34,084	\$ 15,789
Total legislative	<u>\$ 49,873</u>	<u>\$ 49,873</u>	<u>\$ 34,084</u>	<u>\$ 15,789</u>
General and financial administration:				
Town Clerk	\$ 111,368	\$ 116,227	\$ 98,048	\$ 18,179
Town Manager	747,636	790,510	691,551	98,959
Finance	418,229	421,238	421,918	(680)
Total general and financial administration	<u>\$ 1,277,233</u>	<u>\$ 1,327,975</u>	<u>\$ 1,211,517</u>	<u>\$ 116,458</u>
Total general government administration	<u>\$ 1,327,106</u>	<u>\$ 1,377,848</u>	<u>\$ 1,245,601</u>	<u>\$ 132,247</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 668,886	\$ 677,018	\$ 601,821	\$ 75,197
Total law enforcement and traffic control	<u>\$ 668,886</u>	<u>\$ 677,018</u>	<u>\$ 601,821</u>	<u>\$ 75,197</u>
Inspections:				
Code enforcement	\$ 181,587	\$ 182,421	\$ 143,043	\$ 39,378
Total inspections	<u>\$ 181,587</u>	<u>\$ 182,421</u>	<u>\$ 143,043</u>	<u>\$ 39,378</u>
Total public safety	<u>\$ 850,473</u>	<u>\$ 859,439</u>	<u>\$ 744,864</u>	<u>\$ 114,575</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 695,845	\$ 703,485	\$ 756,860	\$ (53,375)
Total public works	<u>\$ 695,845</u>	<u>\$ 703,485</u>	<u>\$ 756,860</u>	<u>\$ (53,375)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ -	\$ -	\$ (219)	\$ 219
Total parks and recreation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (219)</u>	<u>\$ 219</u>
Library:				
Library administration	\$ 180,860	\$ 181,934	\$ 172,218	\$ 9,716
Total library	<u>\$ 180,860</u>	<u>\$ 181,934</u>	<u>\$ 172,218</u>	<u>\$ 9,716</u>
Total parks, recreation, and cultural	<u>\$ 180,860</u>	<u>\$ 181,934</u>	<u>\$ 171,999</u>	<u>\$ 9,935</u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Planning	\$ 299,511	\$ 301,122	\$ 249,000	\$ 52,122
Total planning and community development	<u>\$ 299,511</u>	<u>\$ 301,122</u>	<u>\$ 249,000</u>	<u>\$ 52,122</u>
Total community development	<u>\$ 299,511</u>	<u>\$ 301,122</u>	<u>\$ 249,000</u>	<u>\$ 52,122</u>
Debt service:				
Principal retirement	\$ -	\$ 6,824	\$ 6,824	\$ -
Interest and other fiscal charges	-	1,376	1,376	-
Total debt service	<u>\$ -</u>	<u>\$ 8,200</u>	<u>\$ 8,200</u>	<u>\$ -</u>
Total General Fund	<u>\$ 3,353,795</u>	<u>\$ 3,432,028</u>	<u>\$ 3,176,524</u>	<u>\$ 255,504</u>
<b>Special Revenue Fund:</b>				
<b>Special Activities Fund:</b>				
Public Safety:				
Fire and rescue services:				
Fire department	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, Recreation and Cultrual:				
Parks and recreation:				
Arts Enter program	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Central park	-	7,817	7,817	-
Total parks and recreation	<u>\$ 4,500</u>	<u>\$ 12,317</u>	<u>\$ 12,317</u>	<u>\$ -</u>
Library:				
Friends fo the Library	\$ 6,000	\$ 6,000	\$ 1,183	\$ 4,817
Total parks, recreation and cultural	<u>\$ 10,500</u>	<u>\$ 18,317</u>	<u>\$ 13,500</u>	<u>\$ 4,817</u>
Community Development:				
Planning and community development:				
ARPA grant expenditures	\$ 309,850	\$ 316,985	\$ 17,135	\$ 299,850
PPEA	-	16,425	14,007	2,418
Total community development	<u>\$ 309,850</u>	<u>\$ 333,410</u>	<u>\$ 31,142</u>	<u>\$ 302,268</u>
Total Special Activities Fund	<u>\$ 335,350</u>	<u>\$ 366,727</u>	<u>\$ 59,642</u>	<u>\$ 307,085</u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Debt Service Fund:</b>				
<b>General Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 122,797	\$ 122,797	\$ 122,286	\$ 511
Interest and other fiscal charges	21,824	21,824	21,092	732
	<hr/>			
Total General Debt Service Fund	\$ 144,621	\$ 144,621	\$ 143,378	\$ 1,243
	<hr/>			
<b>Capital Projects Fund:</b>				
<b>General Capital Projects Fund:</b>				
Capital projects expenditures:				
Buildings and improvement	\$ 754,000	\$ 754,000	\$ 485,429	\$ 268,571
Infrastructure - open space & parking	49,000	74,000	39,114	34,886
Streets and walkways	929,922	929,922	19,646	910,276
Vehicles and equipment	59,770	59,770	58,003	1,767
Contingencies	75,040	75,040	-	75,040
	<hr/>			
Total Capital Projects Fund	\$ 1,867,732	\$ 1,892,732	\$ 602,192	\$ 1,290,540
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Total Primary Government	\$ 5,701,498	\$ 5,836,108	\$ 3,981,736	\$ 1,854,372
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*OTHER STATISTICAL INFORMATION*

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Table 1

**Municipal Corporation of Cape Charles, Virginia**  
**Government-wide Expenses by Function**  
**Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Enterprise Funds	Total
2014	\$ 693,614	\$ 409,347	\$ 768,491	\$ 342,274	\$ 63,438	\$ 55,992	\$ 2,976,017	\$ 5,309,173
2015	702,411	423,254	483,605	284,537	53,261	51,195	2,919,126	4,917,389
2016	779,857	459,190	439,968	324,326	70,414	55,195	2,844,926	4,973,876
2017	780,254	529,272	462,247	500,987	103,487	38,410	2,714,842	5,129,499
2018	738,396	553,014	395,642	369,738	124,041	33,079	2,847,692	5,061,602
2019	976,567	580,426	520,472	288,379	63,934	31,954	2,941,117	5,402,849
2020	1,060,616	552,590	568,051	389,251	61,464	29,333	2,863,923	5,525,228
2021	1,561,687	658,500	552,730	373,047	121,252	25,278	3,067,935	6,360,429
2022	952,855	640,839	617,350	381,941	806,835	16,979	3,211,494	6,628,293
2023	1,279,860	818,082	744,797	306,925	283,613	22,468	3,944,635	7,400,380

Table 2

**Municipal Corporation of Cape Charles, Virginia**  
**Government-wide Revenues**  
**Last Ten Fiscal Years**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from use of Money and Property	Miscellaneous(1)	Grants and Contributions Not Restricted to Specific Programs		
2014	\$ 2,571,568	\$ 45,009	\$ 169,159	\$ 1,286,747	\$ 511,211	\$ 8,307	\$ 41,979	\$ 82,852	\$ 4,716,832	
2015	2,575,616	61,049	116,255	1,250,336	584,799	13,962	140,605	82,429	4,825,051	
2016	2,516,334	84,851	859,789	1,352,474	657,466	30,779	867,091	81,037	6,449,821	
2017	2,403,055	85,752	880,798	1,262,771	704,156	39,320	179,590	100,420	5,655,862	
2018	2,450,788	73,080	216,815	1,397,163	791,977	63,242	410,475	83,027	5,486,567	
2019	2,639,895	44,576	590,270	1,452,790	925,834	74,332	920,322	86,414	6,734,433	
2020	2,680,536	47,489	253,439	1,379,090	877,759	52,700	391,250	74,508	5,756,771	
2021	3,256,174	59,127	236,781	1,510,056	1,218,900	34,585	676,339	792,372	7,784,334	
2022	3,498,764	609,668	78,754	1,749,595	1,569,161	38,584	758,460	69,114	8,372,100	
2023	3,595,957	75,659	1,110,281	1,821,640	1,961,575	245,014	22,935	68,327	8,901,388	

## Notes:

(1) Includes gain on disposal of capital assets.

Table 3

**Municipal Corporation of Cape Charles, Virginia  
General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2014	\$ 671,028	\$ 406,252	\$ 430,871	\$ 203,466	\$ 60,299	\$ 132,236	\$ 1,904,152
2015	710,293	416,577	488,941	170,270	57,293	136,819	1,980,193
2016	826,293	488,694	430,037	180,502	71,111	136,248	2,132,885
2017	804,763	532,415	493,580	211,061	103,770	1,060,008	3,205,597
2018	784,488	558,109	470,739	220,145	128,091	167,188	2,328,760
2019	929,438	586,918	475,210	246,550	67,050	150,561	2,455,727
2020	1,031,022	546,341	497,770	265,506	64,566	153,856	2,559,061
2021	1,569,936	653,183	585,624	241,603	117,151	150,668	3,318,165
2022	924,699	723,355	569,992	278,045	813,743	171,617	3,481,451
2023	1,245,601	759,864	756,860	185,499	280,142	151,578	3,379,544

(1) Does not include capital project expenditures.

Table 4

Municipal Corporation of Cape Charles, Virginia  
General Governmental Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2014	\$ 1,398,054	\$ 511,211	\$ 60,905	\$ 14,458	\$ 8,148	\$ 2,335	\$ 11,616	\$ 20,000	\$ 247,620	\$ 2,274,347
2015	1,308,036	584,799	79,022	17,193	13,762	2,504	3,758	24,368	244,733	2,278,175
2016	1,302,263	657,466	100,313	7,134	30,331	5,090	34,741	33,204	299,616	2,470,158
2017	1,306,460	704,156	62,835	5,034	38,138	7,070	5,695	22,426	1,033,188	3,185,002
2018	1,425,966	791,977	101,618	19,277	59,236	5,125	18,321	33,297	351,324	2,806,141
2019	1,408,353	925,834	124,531	10,271	66,585	3,827	19,731	28,103	492,725	3,079,960
2020	1,470,997	877,759	162,040	9,036	47,089	3,172	18,907	20,457	123,225	2,732,682
2021	1,519,701	1,218,900	250,254	52,373	33,986	6,455	3,440	85,994	1,077,694	4,248,797
2022	1,795,175	1,569,161	325,749	56,740	36,200	425	15,989	150,800	675,349	4,625,588
2023	1,787,303	1,961,575	367,260	96,547	128,118	4,680	22,606	60,831	590,805	5,019,725

Table 5

**Municipal Corporation of Cape Charles, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Outstanding Delinquent Taxes to Tax Levy
2014	\$ 1,331,614	\$ 1,188,974	89.29%	\$ 147,910	\$ 1,336,884	100.40%	\$ 196,662	14.77%
2015	1,274,119	1,192,349	93.58%	91,392	1,283,741	100.76%	147,959	11.61%
2016	1,304,355	1,212,623	92.97%	56,558	1,269,181	97.30%	210,947	16.17%
2017	1,307,990	1,210,464	92.54%	56,477	1,266,941	96.86%	170,484	13.03%
2018	1,354,254	1,319,862	97.46%	82,403	1,402,265	103.55%	133,957	9.89%
2019	1,385,027	1,365,349	98.58%	53,176	1,418,525	102.42%	120,174	8.68%
2020	1,441,927	1,405,053	97.44%	67,313	1,472,366	102.11%	118,703	8.23%
2021	1,516,579	1,426,493	94.06%	50,925	1,477,418	97.42%	120,825	7.97%
2022	1,869,309	1,781,924	95.33%	28,858	1,810,782	96.87%	118,815	6.36%
2023	1,768,091	1,759,423	99.51%	37,087	1,796,510	101.61%	118,990	6.73%

(1) Exclusive of penalties and interest

Table 6

**Municipal Corporation of Cape Charles, Virginia**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Public Utility		Total
				Real Estate (2)		
2014	\$ 409,929,500	\$ 14,324,494	\$ 15,800	\$ 3,688,742	\$	427,958,536
2015	404,822,056	11,393,551	8,300	3,631,182		419,855,089
2016	410,160,956	12,104,739	3,500	3,705,047		425,974,242
2017	354,182,650	10,873,870	3,300	3,606,095		368,665,915
2018	355,837,200	12,203,520	-	3,651,067		371,691,787
2019	405,269,300	11,945,520	-	3,844,675		421,059,495
2020	421,169,400	12,526,920	-	3,672,005		437,368,325
2021	471,702,900	13,879,300	-	3,796,381		489,378,581
2022	486,479,500	21,662,020	-	3,702,099		511,843,619
2023	753,722,910	19,698,145	-	4,074,010		777,495,065

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

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

Table 7

Municipal Corporation of Cape Charles, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	
2014	\$ 0.2759	\$ 2.00	\$ 0.2759	\$	0.2759
2015	0.2759	2.00	0.2759		0.2759
2016	0.2759	2.00	0.2759		0.2759
2017	0.3260	2.00	0.3260		0.3260
2018	0.3260	2.00	-		0.3260
2019	0.2945	2.00	-		0.2945
2020	0.2945	2.00	-		0.2945
2021	0.2731	2.00	-		0.2731
2022	0.3143	2.00	-		0.3143
2023	0.2159	1.00	-		0.2159

(1) Per \$100 of assessed value.



Table 9

**Municipal Corporation of Cape Charles, Virginia**  
**Ratio of Net General Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Revenues (4)			
2014	1,009	\$ 427,958,536	\$ 10,094,123	\$ -	\$ 8,793,226	\$ 1,300,897	0.30%	\$ 1,289
2015	1,009	419,855,089	9,611,950	-	8,384,203	1,227,747	0.29%	1,217
2016	1,009	425,974,242	9,116,776	-	7,960,552	1,156,224	0.27%	1,146
2017	1,009	368,665,915	8,642,601	-	7,630,508	1,012,093	0.27%	1,003
2018	1,009	371,691,787	8,085,427	-	6,981,046	1,104,381	0.30%	1,095
2019	1,009	421,059,495	7,525,255	-	6,512,342	1,012,913	0.24%	1,004
2020	1,178	437,368,325	6,958,082	-	6,037,234	920,848	0.21%	782
2021	1,178	489,378,581	6,382,908	-	5,556,444	826,464	0.17%	702
2022	1,178	511,843,619	5,798,735	-	5,069,617	729,118	0.14%	619
2023	1,178	777,495,065	5,205,073	-	4,575,855	629,218	0.08%	534

(1) United States Census Bureau, Census

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt. Excludes notes payable, lease liabilities, OPEB liability, and compensated absences.

(4) Includes general obligation debt payable from enterprise revenues.

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*COMPLIANCE SECTION*

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

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**To the Honorable Members of the Municipal Corp. Council  
Municipal Corporation of Cape Charles  
Cape Charles, 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, and each major fund of Municipal Corporation of Cape Charles, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements, and have issued our report thereon dated March 14, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting (internal control) as a basis for designing 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 Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Corporation of Cape Charles, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

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

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Fournier, Cox Associates*

Richmond, Virginia  
March 14, 2024