

MUNICIPAL CORPORATION  
OF  
CAPE CHARLES, VIRGINIA



ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED JUNE 30, 2020

**MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

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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 Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the Municipal Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Municipal Corporation of Cape Charles, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 56, and 57-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other Information*

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021, 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.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia  
March 18, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Municipal Corporation of Cape Charles, Virginia (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

#### Government-wide Financial Statements

- < The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,036,284 (net position).

#### Fund Financial Statements

The General Fund, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other uses by \$2,594,636 (Exhibit 5).

- < As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$1,277,650, a decrease of \$2,594,636 in comparison with the prior year. The majority of the decrease, \$2,328,870, resulted from an operating transfer to the Harbor Fund to clear that fund's reconciled overdraft payable.
- < The combined long-term obligations decreased \$577,120 during the current fiscal year.

### Overview of the Financial Statements

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

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 Town'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 Town'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 Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, 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 Town 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 Town has one major governmental fund - the General 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 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 Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,016,046 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Position:

Municipal Corporation of Cape Charles, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,130,569	\$ 4,480,578	\$ 2,574,294	\$ 902,332	\$ 4,704,863	\$ 5,382,910
Capital assets	5,856,788	5,636,985	26,757,681	27,007,110	32,614,469	32,644,095
<b>Total assets</b>	<b>\$ 7,987,357</b>	<b>\$ 10,117,563</b>	<b>\$ 29,331,975</b>	<b>\$ 27,909,442</b>	<b>\$ 37,319,332</b>	<b>\$ 38,027,005</b>
Deferred outflows of resources:						
Pension related items	\$ 92,777	\$ 49,234	\$ 49,958	\$ 26,510	\$ 142,735	\$ 75,744
OPEB related items	17,499	11,228	9,422	6,046	26,921	17,274
<b>Total deferred outflows of resources</b>	<b>\$ 110,276</b>	<b>\$ 60,462</b>	<b>\$ 59,380</b>	<b>\$ 32,556</b>	<b>\$ 169,656</b>	<b>\$ 93,018</b>
Current liabilities	\$ 518,275	\$ 246,600	\$ 506,940	\$ 1,121,082	\$ 1,025,215	\$ 1,367,682
Long-term liabilities outstanding	1,146,606	1,258,657	6,123,147	6,588,216	7,269,753	7,846,873
<b>Total liabilities</b>	<b>\$ 1,664,881</b>	<b>\$ 1,505,257</b>	<b>\$ 6,630,087</b>	<b>\$ 7,709,298</b>	<b>\$ 8,294,968</b>	<b>\$ 9,214,555</b>
Deferred inflows of resources:						
Deferred revenue - prepaid taxes	\$ 5,046	\$ 3,324	\$ -	\$ -	\$ 5,046	\$ 3,324
Pension related items	94,014	69,967	50,624	37,674	144,638	107,641
OPEB related items	5,234	6,500	2,818	3,500	8,052	10,000
<b>Total deferred inflows of resources</b>	<b>\$ 104,294</b>	<b>\$ 79,791</b>	<b>\$ 53,442</b>	<b>\$ 41,174</b>	<b>\$ 157,736</b>	<b>\$ 120,965</b>
Net position:						
Net investment in capital assets	\$ 4,872,289	\$ 4,528,729	\$ 20,720,447	\$ 20,494,768	\$ 25,592,736	\$ 25,023,497
Restricted:						
Debt covenants	-	-	257,582	258,458	257,582	258,458
Unspent bond proceeds	-	583,685	-	-	-	583,685
Net pension asset	250,753	208,618	135,021	112,333	385,774	320,951
Unrestricted	1,185,178	3,271,945	1,594,776	(674,033)	2,779,954	2,597,912
<b>Total net position</b>	<b>\$ 6,308,220</b>	<b>\$ 8,592,977</b>	<b>\$ 22,707,826</b>	<b>\$ 20,191,526</b>	<b>\$ 29,016,046</b>	<b>\$ 28,784,503</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-wide Financial Analysis (Continued)**

During the current fiscal year, the Town's net position increased by \$231,543. The following table summarizes the Town's Statement of Activities:

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 174,248	\$ 138,629	\$ 2,506,288	\$ 2,501,266	\$ 2,680,536	\$ 2,639,895
Operating grants and contributions	46,675	44,576	814	-	47,489	44,576
Capital grants and contributions	2,042	361,735	251,397	228,535	253,439	590,270
<b>General revenues:</b>						
General property taxes	1,379,090	1,452,790	-	-	1,379,090	1,452,790
Other local taxes	877,759	925,834	-	-	877,759	925,834
Grants and other contributions not restricted	74,508	86,414	-	-	74,508	86,414
Other general revenues	65,996	86,316	292,854	328,338	358,850	414,654
Gain on disposal of capital assets	85,100	580,000	-	-	85,100	580,000
<b>Total revenues</b>	<b>\$ 2,705,418</b>	<b>\$ 3,676,294</b>	<b>\$ 3,051,353</b>	<b>\$ 3,058,139</b>	<b>\$ 5,756,771</b>	<b>\$ 6,734,433</b>
<b>Expenses:</b>						
<b>General government administration</b>						
General government administration	\$ 1,060,616	\$ 976,567	\$ -	\$ -	\$ 1,060,616	\$ 976,567
Public safety	552,590	580,426	-	-	552,590	580,426
Public works	568,051	520,472	-	-	568,051	520,472
Parks, recreation, and cultural	389,251	288,379	-	-	389,251	288,379
Community development	61,464	63,934	-	-	61,464	63,934
Interest and other fiscal charges	29,333	31,954	-	-	29,333	31,954
Enterprise funds	-	-	2,863,923	2,941,117	2,863,923	2,941,117
<b>Total expenses</b>	<b>\$ 2,661,305</b>	<b>\$ 2,461,732</b>	<b>\$ 2,863,923</b>	<b>\$ 2,941,117</b>	<b>\$ 5,525,228</b>	<b>\$ 5,402,849</b>
<b>Transfers</b>	<b>\$ (2,328,870)</b>	<b>\$ -</b>	<b>\$ 2,328,870</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in net position</b>	<b>\$ (2,284,757)</b>	<b>\$ 1,214,562</b>	<b>\$ 2,516,300</b>	<b>\$ 117,022</b>	<b>\$ 231,543</b>	<b>\$ 1,331,584</b>
Beginning of year	8,592,977	7,378,415	20,191,526	20,074,504	28,784,503	27,452,919
<b>End of year</b>	<b>\$ 6,308,220</b>	<b>\$ 8,592,977</b>	<b>\$ 22,707,826</b>	<b>\$ 20,191,526</b>	<b>\$ 29,016,046</b>	<b>\$ 28,784,503</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported a fund balance of \$1,277,650, a decrease of \$2,594,636 in comparison with the prior year. The majority of the decrease was due to an operating transfer to the Harbor Fund of \$2,328,870 to clear that fund's reconciled overdraft payable. \$1,270,085 of June 30, 2020 fund balance was unassigned.

Proprietary Funds - The Town'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 \$1,594,776. Total net position increased \$2,516,300. The majority of the increase resulted from an operating transfer to the Harbor Fund from the General Fund in the amount of \$2,328,870 to clear the Harbor Fund's reconciled overdraft payable.

### General Fund Budgetary Highlights

During the year, actual revenues and other sources were less than budgetary estimates by \$881,719. Actual expenditures and other uses were more than budgetary estimates by \$990,800, resulting in a negative variance of \$1,872,519.

### Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities and business type activities as of June 30, 2020 amounts to \$5,856,788 and \$26,757,681, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$7,021,733. Of this amount, \$6,958,082 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents amounts secured solely by specific property or specified revenue sources (notes payable).

During the current fiscal year, the Town's total debt outstanding decreased by \$568,030.

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

### Next Year's Budgets

The fiscal year 2021 budget decreased by approximately 23%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### 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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 2 Plum Street, Cape Charles, Virginia 23310.

*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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,295,456	\$ 773,586	\$ 2,069,042
Investments	334,431	104,066	438,497
Receivables (net of allowance for uncollectibles):			
Taxes receivable	89,452	-	89,452
Accounts receivable	115,623	213,339	328,962
Due from other governmental units	17,051	-	17,051
Inventories	-	11,789	11,789
Prepaid items	7,565	-	7,565
Net pension asset	250,753	135,021	385,774
Restricted assets:			
Cash and cash equivalents - facility fees	-	1,078,911	1,078,911
Investments - bond reserve	-	257,582	257,582
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,165,460	-	2,165,460
Buildings and improvements	890,310	162,877	1,053,187
Improvements other than buildings	-	5,099,234	5,099,234
Water and sewer system	-	21,285,562	21,285,562
Machinery and equipment	186,674	189,414	376,088
Infrastructure	2,522,097	-	2,522,097
Construction in progress	92,247	20,594	112,841
Total assets	<u>\$ 7,967,119</u>	<u>\$ 29,331,975</u>	<u>\$ 37,299,094</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 92,777	\$ 49,958	\$ 142,735
OPEB related items	17,499	9,422	26,921
Total deferred outflows of resources	<u>\$ 110,276</u>	<u>\$ 59,380</u>	<u>\$ 169,656</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 457,587	\$ 162,613	\$ 620,200
Accrued liabilities	50,082	21,438	71,520
Customers' deposits	-	11,346	11,346
Accrued interest payable	10,606	38,115	48,721
Unearned revenue	-	273,428	273,428
Long-term liabilities:			
Due within one year	132,320	485,321	617,641
Due in more than one year	1,014,286	5,637,826	6,652,112
Total liabilities	<u>\$ 1,664,881</u>	<u>\$ 6,630,087</u>	<u>\$ 8,294,968</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 94,014	\$ 50,624	\$ 144,638
OPEB related items	5,234	2,818	8,052
Deferred revenue - property taxes	5,046	-	5,046
Total deferred inflows of resources	<u>\$ 104,294</u>	<u>\$ 53,442</u>	<u>\$ 157,736</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,872,289	\$ 20,720,447	\$ 25,592,736
Restricted:			
Debt service and bond covenants	-	257,582	257,582
Net pension asset	250,753	135,021	385,774
Unrestricted	1,185,178	1,594,776	2,779,954
Total net position	<u>\$ 6,308,220</u>	<u>\$ 22,707,826</u>	<u>\$ 29,016,046</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, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,060,616	\$ 1,383	\$ -	\$ -	\$ (1,059,233)	\$ -	\$ (1,059,233)
Public safety	552,590	172,276	42,175	-	(338,139)	-	(338,139)
Public works	568,051	-	-	2,042	(566,009)	-	(566,009)
Parks, recreation, and cultural	389,251	589	4,500	-	(384,162)	-	(384,162)
Community development	61,464	-	-	-	(61,464)	-	(61,464)
Interest on long-term debt	29,333	-	-	-	(29,333)	-	(29,333)
Total governmental activities	\$ 2,661,305	\$ 174,248	\$ 46,675	\$ 2,042	\$ (2,438,340)	\$ -	\$ (2,438,340)
Business-type activities:							
Water and Sewer	\$ 1,769,104	\$ 1,642,156	\$ -	\$ -	\$ -	\$ (126,948)	\$ (126,948)
Harbor	885,534	663,979	814	251,397	-	30,656	30,656
Sanitation	209,285	200,153	-	-	-	(9,132)	(9,132)
Total business-type activities	\$ 2,863,923	\$ 2,506,288	\$ 814	\$ 251,397	\$ -	\$ (105,424)	\$ (105,424)
Total primary government	\$ 5,525,228	\$ 2,680,536	\$ 47,489	\$ 253,439	\$ (2,438,340)	\$ (105,424)	\$ (2,543,764)
General revenues:							
General property taxes					\$ 1,379,090	\$ -	\$ 1,379,090
Restaurant food taxes					426,571	-	426,571
Business license taxes					128,128	-	128,128
Other local taxes					323,060	-	323,060
Unrestricted revenues from use of money and property					47,089	5,611	52,700
Miscellaneous					18,907	287,243	306,150
Grants and contributions not restricted to specific programs					74,508	-	74,508
Gain on disposal of capital assets					85,100	-	85,100
Transfers					(2,328,870)	2,328,870	-
Total general revenues and transfers					\$ 153,583	\$ 2,621,724	\$ 2,775,307
Change in net position					\$ (2,284,757)	\$ 2,516,300	\$ 231,543
Net position - beginning					8,592,977	20,191,526	28,784,503
Net position - ending					\$ 6,308,220	\$ 22,707,826	\$ 29,016,046

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 Fund  
 June 30, 2020

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,295,456
Investments	334,431
Receivables:	
Taxes receivable	89,452
Accounts receivable	115,623
Due from other governmental units	17,051
Prepaid items	7,565
Total assets	<u>\$ 1,859,578</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 457,587
Accrued liabilities	50,082
Total liabilities	<u>\$ 507,669</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>\$ 74,259</u>
<b>FUND BALANCE</b>	
Nonspendable:	
Prepaid items	\$ 7,565
Unassigned	1,270,085
Total fund balance	<u>\$ 1,277,650</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,859,578</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 Fund**  
**to the Statement of Net Position**  
**June 30, 2020**

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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 Fund		\$ 1,277,650
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 10,253,863	
Accumulated depreciation	<u>(4,397,075)</u>	5,856,788
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		250,753
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.		
Unavailable property taxes		69,213
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.		
Pension related items	\$ 92,777	
OPEB related items	<u>17,499</u>	110,276
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	\$ (984,499)	
Net OPEB liability	(75,415)	
Compensated absences	(86,692)	
Accrued interest payable	<u>(10,606)</u>	(1,157,212)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (94,014)	
OPEB related items	<u>(5,234)</u>	(99,248)
Net position of governmental activities		<u><u>\$ 6,308,220</u></u>

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 Fund  
For the Year Ended June 30, 2020

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 1,470,997
Other local taxes	877,759
Permits, privilege fees, and regulatory licenses	162,040
Fines and forfeitures	9,036
Revenue from the use of money and property	47,089
Charges for services	3,172
Miscellaneous	18,907
Recovered costs	20,457
Intergovernmental:	
Commonwealth	120,256
Federal	2,969
Total revenues	<u>\$ 2,732,682</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 1,031,022
Public safety - police department	417,419
Public safety - code enforcement	128,922
Public works	497,770
Parks, recreation, and cultural	265,506
Community development	64,566
Capital projects	524,487
Debt service:	
Principal retirement	123,758
Interest and other fiscal charges	30,098
Total expenditures	<u>\$ 3,083,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (350,866)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	\$ (2,328,870)
Sale of capital assets	85,100
Total other financing sources (uses)	<u>\$ (2,243,770)</u>
Net change in fund balance	\$ (2,594,636)
Fund balance - beginning	3,872,286
Fund balance - ending	<u>\$ 1,277,650</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 Fund  
to the Statement of Activities  
For the Year Ended June 30, 2020**

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

Net change in fund balance - total governmental fund \$ (2,594,636)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded the depreciation expense in the current period.

Capital asset additions	\$ 497,741	
Depreciation expense	<u>(277,938)</u>	219,803

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		(91,906)
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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	\$ 92,065	
Principal retirement on notes payable	<u>31,692</u>	123,757

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	\$ (7,141)	
Change in OPEB related items	2,970	
Change in pension related items	61,631	
(Increase) decrease in accrued interest payable	<u>765</u>	58,225

Change in net position of governmental activities		<u><u>\$ (2,284,757)</u></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, 2020

	Water and Sewer	Harbor	Sanitation	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 511,763	\$ 500	\$ 261,323	\$ 773,586
Investments	104,066	-	-	104,066
Accounts receivable, net of allowance for uncollectibles	146,605	49,156	17,578	213,339
Inventories	-	11,789	-	11,789
Total current assets	<u>\$ 762,434</u>	<u>\$ 61,445</u>	<u>\$ 278,901</u>	<u>\$ 1,102,780</u>
Noncurrent assets:				
Net pension asset	<u>\$ 96,444</u>	<u>\$ 38,577</u>	<u>\$ -</u>	<u>\$ 135,021</u>
Restricted assets:				
Cash and cash equivalents - facility fees	\$ 1,078,911	\$ -	\$ -	\$ 1,078,911
Investments - bond reserve	257,582	-	-	257,582
Total restricted assets	<u>\$ 1,336,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,336,493</u>
Capital assets (net of accumulated depreciation):				
Water and sewer system	\$ 21,285,562	\$ -	\$ -	\$ 21,285,562
Buildings and improvements	-	162,877	-	162,877
Improvements other than buildings	-	5,099,234	-	5,099,234
Machinery and equipment	163,133	16,795	9,486	189,414
Construction in progress	12,657	7,937	-	20,594
Total capital assets	<u>\$ 21,461,352</u>	<u>\$ 5,286,843</u>	<u>\$ 9,486</u>	<u>\$ 26,757,681</u>
Total noncurrent assets	<u>\$ 22,894,289</u>	<u>\$ 5,325,420</u>	<u>\$ 9,486</u>	<u>\$ 28,229,195</u>
Total assets	<u>\$ 23,656,723</u>	<u>\$ 5,386,865</u>	<u>\$ 288,387</u>	<u>\$ 29,331,975</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 35,684	\$ 14,274	\$ -	\$ 49,958
OPEB related items	6,730	2,692	-	9,422
Total deferred outflows of resources	<u>\$ 42,414</u>	<u>\$ 16,966</u>	<u>\$ -</u>	<u>\$ 59,380</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 77,394	\$ 68,114	\$ 17,105	\$ 162,613
Accrued liabilities	13,520	7,918	-	21,438
Interest payable	27,100	11,015	-	38,115
Unearned revenue	221,034	52,394	-	273,428
Customer deposits payable	11,346	-	-	11,346
Bonds payable - current portion	404,834	75,956	-	480,790
Compensated absences - current portion	3,830	701	-	4,531
Total current liabilities	<u>\$ 759,058</u>	<u>\$ 216,098</u>	<u>\$ 17,105</u>	<u>\$ 992,261</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 4,834,860	\$ 721,584	\$ -	\$ 5,556,444
Compensated absences - net of current portion	34,465	6,309	-	40,774
Net OPEB liability	29,006	11,602	-	40,608
Total noncurrent liabilities	<u>\$ 4,898,331</u>	<u>\$ 739,495</u>	<u>\$ -</u>	<u>\$ 5,637,826</u>
Total liabilities	<u>\$ 5,657,389</u>	<u>\$ 955,593</u>	<u>\$ 17,105</u>	<u>\$ 6,630,087</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 36,160	\$ 14,464	\$ -	\$ 50,624
OPEB related items	2,013	805	-	2,818
Total deferred inflows of resources	<u>\$ 38,173</u>	<u>\$ 15,269</u>	<u>\$ -</u>	<u>\$ 53,442</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 16,221,658	\$ 4,489,303	\$ 9,486	\$ 20,720,447
Restricted for debt service and bond covenants	257,582	-	-	257,582
Restricted for net pension asset	96,444	38,577	-	135,021
Unrestricted	1,427,891	(94,911)	261,796	1,594,776
Total net position	<u>\$ 18,003,575</u>	<u>\$ 4,432,969</u>	<u>\$ 271,282</u>	<u>\$ 22,707,826</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, 2020**

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 579,233	\$ -	\$ -	\$ 579,233
Sewer	1,048,575	-	-	1,048,575
Harbor fees	-	255,988	-	255,988
Refuse collection	-	-	198,483	198,483
Fuel and oil sales	-	394,118	-	394,118
Penalties	13,454	-	1,670	15,124
Other revenues	894	13,873	-	14,767
Miscellaneous	2,728	2,067	-	4,795
Total operating revenues	<u>\$ 1,644,884</u>	<u>\$ 666,046</u>	<u>\$ 200,153</u>	<u>\$ 2,511,083</u>
<b>OPERATING EXPENSES</b>				
Personnel services	\$ 425,757	\$ 154,616	\$ -	\$ 580,373
Fringe benefits	103,985	31,112	-	135,097
Contractual services	107,102	30,201	206,205	343,508
Other supplies and expenses	389,314	417,117	708	807,139
Depreciation	675,602	224,798	2,372	902,772
Total operating expenses	<u>\$ 1,701,760</u>	<u>\$ 857,844</u>	<u>\$ 209,285</u>	<u>\$ 2,768,889</u>
Operating income (loss)	<u>\$ (56,876)</u>	<u>\$ (191,798)</u>	<u>\$ (9,132)</u>	<u>\$ (257,806)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 5,611	\$ -	\$ -	\$ 5,611
Connection fees	38,681	-	-	38,681
Facility fees	243,767	-	-	243,767
Litter grant	-	814	-	814
Interest and fiscal charges	(67,344)	(27,690)	-	(95,034)
Total nonoperating revenues (expenses)	<u>\$ 220,715</u>	<u>\$ (26,876)</u>	<u>\$ -</u>	<u>\$ 193,839</u>
Income (loss) before contributions and transfers in	<u>\$ 163,839</u>	<u>\$ (218,674)</u>	<u>\$ (9,132)</u>	<u>\$ (63,967)</u>
Capital contributions and construction grants:				
Commonwealth	-	251,397	-	251,397
Transfers in	-	2,328,870	-	2,328,870
Change in net position	<u>\$ 163,839</u>	<u>\$ 2,361,593</u>	<u>\$ (9,132)</u>	<u>\$ 2,516,300</u>
Total net position - beginning	17,839,736	2,071,376	280,414	20,191,526
Total net position - ending	<u>\$ 18,003,575</u>	<u>\$ 4,432,969</u>	<u>\$ 271,282</u>	<u>\$ 22,707,826</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, 2020**

	<u>Water and</u> <u>Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,644,815	\$ 694,638	\$ 200,540	\$ 2,539,993
Payments for operating expenses	(458,578)	(2,627,188)	(207,102)	(3,292,868)
Payments to employees	(547,165)	(195,510)	-	(742,675)
Net cash provided by (used for) operating activities	<u>\$ 639,072</u>	<u>\$ (2,128,060)</u>	<u>\$ (6,562)</u>	<u>\$ (1,495,550)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	\$ -	\$ 2,328,870	\$ -	\$ 2,328,870
Intergovernmental	-	814	-	814
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 2,329,684</u>	<u>\$ -</u>	<u>\$ 2,329,684</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	\$ (95,639)	\$ (545,847)	\$ (11,857)	\$ (653,343)
Principal payments on bonds	(401,665)	(73,443)	-	(475,108)
Connection fees	38,681	-	-	38,681
Facility fees	243,767	-	-	243,767
Capital grants	-	446,057	-	446,057
Interest payments	(68,645)	(28,391)	-	(97,036)
Net cash provided by (used for) capital and related financing activities	<u>\$ (283,501)</u>	<u>\$ (201,624)</u>	<u>\$ (11,857)</u>	<u>\$ (496,982)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	\$ 4,818	\$ -	\$ -	\$ 4,818
Net increase (decrease) in cash and cash equivalents	<u>\$ 360,389</u>	<u>\$ -</u>	<u>\$ (18,419)</u>	<u>\$ 341,970</u>
Cash and cash equivalents - beginning	1,230,285	500	279,742	1,510,527
Cash and cash equivalents - ending	<u><u>\$ 1,590,674</u></u>	<u><u>\$ 500</u></u>	<u><u>\$ 261,323</u></u>	<u><u>\$ 1,852,497</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (56,876)	\$ (191,798)	\$ (9,132)	\$ (257,806)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 675,602	\$ 224,798	\$ 2,372	\$ 902,772
(Increase) decrease in accounts receivable	(565)	(831)	387	(1,009)
(Increase) decrease in deferred outflows of resources	(19,159)	(7,665)	-	(26,824)
Increase (decrease) in deferred inflows of resources	8,763	3,505	-	12,268
(Increase) decrease in net pension asset	(16,206)	(6,482)	-	(22,688)
Increase (decrease) in net OPEB liability	1,756	702	-	2,458
(Increase) decrease in inventories	-	9,764	-	9,764
Increase (decrease) in customer deposits	496	-	-	496
Increase (decrease) in accounts payable	34,380	(41,921)	(189)	(7,730)
Increase (decrease) in unearned revenue	-	29,423	-	29,423
Increase (decrease) in accrued liabilities	3,458	19	-	3,477
Increase (decrease) in compensated absences	7,423	158	-	7,581
Increase (decrease) in reconciled overdraft payable	-	(2,147,732)	-	(2,147,732)
Total adjustments	<u>\$ 695,948</u>	<u>\$ (1,936,262)</u>	<u>\$ 2,570</u>	<u>\$ (1,237,744)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 639,072</u></u>	<u><u>\$ (2,128,060)</u></u>	<u><u>\$ (6,562)</u></u>	<u><u>\$ (1,495,550)</u></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, 2020

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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 Statement

#### 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.

**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 combined financial statements to emphasize it is legally separate from the government.

**B. Individual Component Unit Disclosures**

*Blended Component Units.* The Municipal Corp. has no blended component units at June 30, 2020.

*Discretely Presented Component Units.* - The Municipal Corp. has no discretely presented component units at June 30, 2020.

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

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

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

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

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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 as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

**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.

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, amounts in demand deposits as well as 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 government'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.

Restricted cash consists of reserve accounts established as required by Rural Development bond covenants.

**E. Investments**

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments (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.

**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.

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

**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 \$81,954, \$9,685, and \$42,063, respectively, at June 30, 2020. The allowance for uncollectible property taxes was \$49,490 at June 30, 2020.

**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.

**H. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ended June 30, 2020.

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

**H. Capital Assets (Continued)**

Property, plant and equipment, and infrastructure of the Municipal Corp. are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Improvements other than buildings	5-40
Machinery and equipment	3-20
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.

**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.

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

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**K. Net Position (Continued)**

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

**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 Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 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.

**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.

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

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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.

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

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

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**Q. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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 amount 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 the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**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 Town 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 department or category 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.

**Expenditures and Appropriations**

Expenditures did not exceed appropriations in any fund for the fiscal year ended June 30, 2020.

**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.

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

**Investments**

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

**Credit Risk of Debt Securities**

The Municipal Corp.’s rated debt investments as of June 30, 2020 were rated by Standard and Poor’s and the ratings are presented below using the Standard and 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.

<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 434,839
Money Market Mutual Fund	261,240
Total	<u>\$ 696,079</u>

**Fair Value Measurement**

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

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

**Fair Value Measurement (Continued)**

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, 2020:

Investment type	Balance June 30, 2020	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 fund:</b>				
U.S. Government Obligations	\$ 261,240	\$ 261,240	\$ -	\$ -
	\$ 261,240	\$ 261,240	\$ -	\$ -

**External Investment Pools**

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.

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

At June 30, 2020, the Municipal Corp. has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Northampton	\$ 10,640
Commonwealth of Virginia:	
Communications tax	6,411
Total due from other governments	<u>\$ 17,051</u>

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

**Note 5 – Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Governmental Activities:	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not subject to depreciation:				
Construction in progress	\$ 1,778,351	\$ 337,993	\$ 2,024,097	\$ 92,247
Land and land improvements	2,165,460	-	-	2,165,460
<b>Total capital assets not subject to depreciation</b>	<b>\$ 3,943,811</b>	<b>\$ 337,993</b>	<b>\$ 2,024,097</b>	<b>\$ 2,257,707</b>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,429,304	\$ 133,504	\$ -	\$ 3,562,808
Machinery and equipment	1,439,759	26,244	-	1,466,003
Infrastructure	943,248	2,024,097	-	2,967,345
<b>Total capital assets subject to depreciation</b>	<b>\$ 5,812,311</b>	<b>\$ 2,183,845</b>	<b>\$ -</b>	<b>\$ 7,996,156</b>
Accumulated depreciation:				
Buildings and improvements	\$ 2,596,950	\$ 75,548	\$ -	\$ 2,672,498
Machinery and equipment	1,195,347	83,982	-	1,279,329
Infrastructure	326,840	118,408	-	445,248
<b>Total accumulated depreciation</b>	<b>\$ 4,119,137</b>	<b>\$ 277,938</b>	<b>\$ -</b>	<b>\$ 4,397,075</b>
<b>Total capital assets subject to depreciation, net</b>	<b>\$ 1,693,174</b>	<b>\$ 1,905,907</b>	<b>\$ -</b>	<b>\$ 3,599,081</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,636,985</b>	<b>\$ 2,243,900</b>	<b>\$ 2,024,097</b>	<b>\$ 5,856,788</b>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b>Business-type Activities:</b>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 64,739	\$ 24,994	\$ 69,139	\$ 20,594
Capital assets subject to depreciation:				
Water and sewer system	\$ 30,241,983	\$ 9,000	\$ -	\$ 30,250,983
Buildings and improvements	755,670	-	-	755,670
Improvements other than buildings	7,545,203	607,491	-	8,152,694
Machinery and equipment	875,133	80,997	-	956,130
 Total capital assets subject to depreciation	 \$ 39,417,989	 \$ 697,488	 \$ -	 \$ 40,115,477
Accumulated depreciation:				
Water and sewer system	\$ 8,328,431	\$ 636,990	\$ -	\$ 8,965,421
Buildings and improvements	560,218	32,575	-	592,793
Improvements other than buildings	2,873,766	179,694	-	3,053,460
Machinery and equipment	713,203	53,513	-	766,716
 Total accumulated depreciation	 \$ 12,475,618	 \$ 902,772	 \$ -	 \$ 13,378,390
 Total capital assets subject to depreciation, net	 \$ 26,942,371	 \$ (205,284)	 \$ -	 \$ 26,737,087
Business-type activities capital assets, net	\$ 27,007,110	\$ (180,290)	\$ 69,139	\$ 26,757,681

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 51,151
Public safety	22,650
Public works	54,809
Parks, recreation and cultural	149,328
 Total governmental activities	 \$ 277,938

Business-type activities:

Water and Sewer	\$ 675,602
Harbor	224,798
Sanitation	2,372
 Total business-type activities	 \$ 902,772

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (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, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 79,551	\$ 15,096	\$ 7,955	\$ 86,692	\$ 8,669
Net OPEB liability	70,850	21,191	16,626	75,415	-
Direct borrowings and placements:					
General obligation bonds	1,012,913	-	92,065	920,848	94,384
Notes payable	95,343	-	31,692	63,651	29,267
Total obligations from governmental activities	<u>\$ 1,258,657</u>	<u>\$ 36,287</u>	<u>\$ 148,338</u>	<u>\$ 1,146,606</u>	<u>\$ 132,320</u>
Business-type activities:					
Compensated absences	\$ 37,724	\$ 11,353	\$ 3,772	\$ 45,305	\$ 4,531
Net OPEB liability	38,150	11,411	8,953	40,608	-
Direct borrowings and placements:					
General obligation bonds	6,512,342	-	475,108	6,037,234	480,790
Total obligations from business-type activities	<u>\$ 6,588,216</u>	<u>\$ 22,764</u>	<u>\$ 487,833</u>	<u>\$ 6,123,147</u>	<u>\$ 485,321</u>
Total long-term obligations	<u>\$ 7,846,873</u>	<u>\$ 59,051</u>	<u>\$ 636,171</u>	<u>\$ 7,269,753</u>	<u>\$ 617,641</u>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (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 Obligations				Business-type Activities Obligations	
	Direct Borrowings and Placements					
	General Obligation Bonds		Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 94,384	\$ 23,709	\$ 29,267	\$ 2,168	\$ 480,790	\$ 90,732
2022	97,346	21,342	24,623	1,267	486,828	83,892
2023	99,900	18,899	4,776	427	493,761	76,869
2024	102,870	16,379	4,985	294	499,305	69,641
2025	105,398	13,813	-	-	506,776	62,282
2026	107,493	11,187	-	-	515,682	54,709
2027	110,527	8,401	-	-	523,647	46,452
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	-	-	64,441	1,610
Total	\$ <u>920,848</u>	\$ <u>130,086</u>	\$ <u>63,651</u>	\$ <u>4,156</u>	\$ <u>6,037,234</u>	\$ <u>593,965</u>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

Long-term obligations at June 30, 2020 are as follows:

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness:</u>	
<u>Governmental 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.	\$ 288,850
\$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.	441,003
\$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>190,995</u>
Total general obligation bonds	<u>\$ 920,848</u>
Notes Payable:	
\$25,300 Rural Development note issued December 29, 2015, due in annual installments of \$5,564 through December, 2020, interest at 3.25%. This note is secured by a code enforcement vehicle.	\$ 5,371
\$76,000 Rural Development note issued May 22, 2017, due in annual installments of \$16,537 through May, 2022, interest at 2.875%. This note is secured by a tractor and a police vehicle.	31,669
\$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.	18,725
\$18,800 Rural Development note issued May 22, 2017, due in annual installments of \$4,150 through May, 2022, interest at 3.375%. This note is secured by a police vehicle.	<u>7,886</u>
Total notes payable	<u>\$ 63,651</u>

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

Long-term obligations at June 30, 2020 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>86,692</u>
Net OPEB Liability (payable from the General Fund)	\$ <u>75,415</u>
Total governmental activities obligations payable	\$ <u><u>1,146,606</u></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.	\$ 1,271,150
\$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%.	2,894,082
\$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.	243,997
\$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>1,628,005</u>
Total general obligation bonds	\$ <u><u>6,037,234</u></u>
<u>Other liabilities:</u>	
Compensated Absences (payable from Enterprise Funds)	\$ <u>45,305</u>
Net OPEB Liability (payable from Enterprise Funds)	\$ <u>40,608</u>
Total business-type activities obligations	\$ <u><u>6,123,147</u></u>

The Town 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, 2020, the Town 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, 2020.

**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 \$74,259 consists of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$69,213 at June 30, 2020.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$5,046 at June 30, 2020.

**Note 8 – Litigation:**

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At June 30, 2020, 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, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 2,328,870
Harbor	2,328,870	-
Total	<u>\$ 2,328,870</u>	<u>\$ 2,328,870</u>

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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 hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of 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 hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of 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 hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of 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.

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

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

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total 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, 2018 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	16
Inactive members:	
Vested inactive members	9
Non-vested inactive members	16
Long-term disability	
Active members active elsewhere in VRS	<u>11</u>
Total inactive members	36
Active members	<u>34</u>
Total covered employees	<u><u>86</u></u>

**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, 2020 was 5.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Municipal Corp. were \$77,005 and \$75,744 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

**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, 2018, 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, 2019.

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*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**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:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**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, 2018, 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, 2019.

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*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (Continued)

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

**Discount Rate (Continued)**

valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was 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, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 2,926,434	\$ 3,247,385	\$ (320,951)
Changes for the year:			
Service cost	\$ 151,056	\$ -	\$ 151,056
Interest	201,705	-	201,705
Benefit changes	97,484	-	97,484
Differences between expected and actual experience	(142,946)	-	(142,946)
Contributions - employer	-	74,902	(74,902)
Contributions - employee	-	77,128	(77,128)
Net investment income	-	222,304	(222,304)
Benefit payments, including refunds	(89,865)	(89,865)	-
Administrative expenses	-	(2,071)	2,071
Other changes	-	(141)	141
Net changes	\$ 217,434	\$ 282,257	\$ (64,823)
Balances at June 30, 2019	\$ 3,143,868	\$ 3,529,642	\$ (385,774)

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (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)	\$ 42,680	\$ (385,774)	\$ (724,836)

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

For the year ended June 30, 2020, the Municipal Corp. recognized pension expense of (\$18,654). At June 30, 2020, 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	\$ -	\$ 112,693
Change of assumptions	65,730	-
Net difference between projected and actual earnings on pension plan investments	-	31,945
Employer contributions subsequent to the measurement date	77,005	-
Total	\$ 142,735	\$ 144,638

**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)***

\$77,005 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, 2021. 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>	
2021	\$ (33,628)
2022	(44,410)
2023	(2,293)
2024	1,423
2025	-
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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.

**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, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

**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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$7,809 and \$7,274 for the years ended June 30, 2020 and June 30, 2019, respectively.

**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, 2020, the entity reported a liability of \$116,023 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00713% as compared to 0.00718% at June 30, 2018.

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements  
June 30, 2020 (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 (Continued)**

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$3,490. 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, 2020, 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	\$ 7,716	\$ 1,504
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,383
Change in assumptions	7,325	3,498
Changes in proportion	4,071	667
Employer contributions subsequent to the measurement date	<u>7,809</u>	<u>-</u>
Total	<u>\$ 26,921</u>	<u>\$ 8,052</u>

\$7,809 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, 2021. 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>	
2021	\$ 1,220
2022	1,220
2023	2,229
2024	3,150
2025	2,617
Thereafter	623

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

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

**Actuarial Assumptions: (Continued)**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Actuarial Assumptions: (Continued)**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the 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, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
	<hr/>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	\$ <u><u>1,627,266</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	  52.00%

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.

**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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, 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, 2019 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.

**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	\$ 152,423	\$ 116,023	\$ 86,505

***GLI Plan Fiduciary Net Position***

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2020 was \$4,804.

**Note 14 – Upcoming Pronouncements:**

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Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

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

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

**Note 14 – Upcoming Pronouncements: (Continued)**

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Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

**Note 15 – Subsequent Events:**

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In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Through the date of this report, there has been moderate impact on the financial condition of the Municipal Corporation of Cape Charles, Virginia. Depending on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape, the disease could have a material adverse effect on the Municipal Corporation of Cape Charles, Virginia’s business, results of operations, financial condition, and cash flows.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 1,442,500	\$ 1,442,500	\$ 1,470,997	\$ 28,497
Other local taxes	1,051,350	1,051,350	877,759	(173,591)
Permits, privilege fees, and regulatory licenses	105,760	105,760	162,040	56,280
Fines and forfeitures	11,500	11,500	9,036	(2,464)
Revenue from the use of money and property	48,400	48,400	47,089	(1,311)
Charges for services	5,700	5,700	3,172	(2,528)
Miscellaneous	12,000	12,000	18,907	6,907
Recovered costs	20,500	20,500	20,457	(43)
Intergovernmental:				
Commonwealth	116,924	116,924	120,256	3,332
Federal	761,000	761,000	2,969	(758,031)
Total revenues	<u>\$ 3,575,634</u>	<u>\$ 3,575,634</u>	<u>\$ 2,732,682</u>	<u>\$ (842,952)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 985,417	\$ 988,664	\$ 1,031,022	\$ (42,358)
Public safety - police department	439,384	445,371	417,419	27,952
Public safety - code enforcement	131,835	131,835	128,922	2,913
Public works	502,002	508,832	497,770	11,062
Parks, recreation, and cultural	290,353	290,353	265,506	24,847
Community development	103,700	103,700	64,566	39,134
Capital projects	1,438,000	1,320,980	524,487	796,493
Debt service:				
Principal retirement	120,960	120,960	123,758	(2,798)
Interest and other fiscal charges	30,050	30,051	30,098	(47)
Total expenditures	<u>\$ 4,041,701</u>	<u>\$ 3,940,746</u>	<u>\$ 3,083,548</u>	<u>\$ 857,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (466,067)</u>	<u>\$ (365,112)</u>	<u>\$ (350,866)</u>	<u>\$ 14,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (352,872)	\$ (480,872)	\$ (2,328,870)	\$ (1,847,998)
Issuance of notes payable	53,867	53,867	-	(53,867)
Sale of land	70,000	70,000	85,100	15,100
Total other financing sources (uses)	<u>\$ (229,005)</u>	<u>\$ (357,005)</u>	<u>\$ (2,243,770)</u>	<u>\$ (1,886,765)</u>
Net change in fund balance	\$ (695,072)	\$ (722,117)	\$ (2,594,636)	\$ (1,872,519)
Fund balance - beginning	695,072	722,117	3,872,286	3,150,169
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,277,650</u>	<u>\$ 1,277,650</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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>						
Service cost	\$ 151,056	\$ 146,357	\$ 123,278	\$ 131,962	\$ 117,294	\$ 96,808
Interest	201,705	181,520	175,415	171,863	157,456	145,759
Changes in benefit terms	-	113,556	-	-	-	-
Differences between expected and actual experience	(142,946)	(53,377)	(45,840)	(145,730)	11,707	-
Changes of assumptions	97,484	-	(51,731)	-	-	-
Benefit payments	(89,865)	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
<b>Net change in total pension liability</b>	<u>\$ 217,434</u>	<u>\$ 278,524</u>	<u>\$ 82,837</u>	<u>\$ 61,683</u>	<u>\$ 221,594</u>	<u>\$ 156,470</u>
<b>Total pension liability - beginning</b>	<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>	<u>2,125,326</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 3,143,868</u>	<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>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 74,902	\$ 87,168	\$ 49,527	\$ 57,508	\$ 55,321	\$ 95,752
Contributions - employee	77,128	66,054	58,943	56,761	54,670	54,200
Net investment income	222,304	223,601	327,947	47,286	113,899	328,807
Benefit payments	(89,865)	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
Administrator charges	(2,071)	(1,856)	(1,872)	(1,606)	(1,494)	(1,701)
Other	(141)	(202)	(291)	(20)	(24)	18
<b>Net change in plan fiduciary net position</b>	<u>\$ 282,257</u>	<u>\$ 265,233</u>	<u>\$ 315,969</u>	<u>\$ 63,517</u>	<u>\$ 157,509</u>	<u>\$ 390,979</u>
<b>Plan fiduciary net position - beginning</b>	<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>	<u>2,054,178</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 3,529,642</u>	<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>
<b>Municipal Corporation's net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (385,774)</u>	<u>\$ (320,951)</u>	<u>\$ (334,242)</u>	<u>\$ (101,110)</u>	<u>\$ (99,276)</u>	<u>\$ (163,361)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	112.27%	110.97%	112.62%	103.94%	103.97%	107.16%
<b>Covered payroll</b>	\$ 1,398,895	\$ 1,364,599	\$ 1,258,379	\$ 1,188,982	\$ 1,118,571	\$ 1,085,627
<b>Municipal Corporation's net pension liability (asset) as a percentage of covered payroll</b>	-27.58%	-23.52%	-26.56%	-8.50%	-8.88%	-15.05%

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.

## Municipal Corporation of Cape Charles, Virginia

Schedule of Employer Contributions - Pension Plan  
For the Years Ended June 30, 2011 through June 30, 2020

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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)
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%
2013	91,628	91,628	-	1,042,407	8.79%
2012	72,814	72,814	-	1,018,382	7.15%
2011	72,668	72,668	-	1,016,338	7.15%

Municipal Corporation of Cape Charles, Virginia

Notes to Required Supplementary Information  
For the Year Ended June 30, 2020

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019

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)
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, 2011 through June 30, 2020

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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 Covered Payroll (5)
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%
2013	5,004	5,004	-	1,042,407	0.48%
2012	2,851	2,851	-	1,018,382	0.28%
2011	2,846	2,846	-	1,016,337	0.28%

Municipal Corporation of Cape Charles, Virginia  
Notes to Required Supplementary Information  
GLI Plan  
For the Year Ended June 30, 2020

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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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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*OTHER SUPPLEMENTARY INFORMATION*

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*SUPPORTING SCHEDULES*

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Municipal Corporation of Cape Charles, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2020

<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	\$ 1,234,000	\$ 1,234,000	\$ 1,251,842	\$ 17,842
Personal property taxes	177,500	177,500	176,705	(795)
Machinery and tools taxes	18,000	18,000	15,432	(2,568)
Penalties and interest	13,000	13,000	27,018	14,018
Total general property taxes	<u>\$ 1,442,500</u>	<u>\$ 1,442,500</u>	<u>\$ 1,470,997</u>	<u>\$ 28,497</u>
Other local taxes:				
Local sales and use taxes	\$ 53,000	\$ 53,000	\$ 52,478	\$ (522)
Consumers' utility taxes	55,000	55,000	54,004	(996)
Business license taxes	150,000	150,000	128,128	(21,872)
Motor vehicle licenses	40,000	40,000	28,387	(11,613)
Golf cart decals	9,000	9,000	9,207	207
Admissions taxes	21,000	21,000	13,166	(7,834)
Short term rental tax	6,250	6,250	9,681	3,431
Hotel and motel room taxes	150,600	150,600	155,720	5,120
Restaurant food taxes	565,000	565,000	426,571	(138,429)
Penalties and interest	1,500	1,500	417	(1,083)
Total other local taxes	<u>\$ 1,051,350</u>	<u>\$ 1,051,350</u>	<u>\$ 877,759</u>	<u>\$ (173,591)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 105,760	\$ 105,760	\$ 162,040	\$ 56,280
Total permits, privilege fees, and regulatory licenses	<u>\$ 105,760</u>	<u>\$ 105,760</u>	<u>\$ 162,040</u>	<u>\$ 56,280</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 11,500	\$ 11,500	\$ 9,036	\$ (2,464)
Total fines and forfeitures	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 9,036</u>	<u>\$ (2,464)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 26,965	\$ 6,965
Revenue from use of property	28,400	28,400	20,124	(8,276)
Total revenue from use of money and property	<u>\$ 48,400</u>	<u>\$ 48,400</u>	<u>\$ 47,089</u>	<u>\$ (1,311)</u>
Charges for services:				
Charges for parks and recreation	\$ 1,400	\$ 1,400	\$ -	\$ (1,400)
Charges for DMV stops and FOIA fees	1,000	1,000	1,200	200
Credit card fees	1,500	1,500	1,383	(117)
Charges for library	1,800	1,800	589	(1,211)
Total charges for services	<u>\$ 5,700</u>	<u>\$ 5,700</u>	<u>\$ 3,172</u>	<u>\$ (2,528)</u>
Miscellaneous:				
Miscellaneous	\$ 12,000	\$ 12,000	\$ 18,907	\$ 6,907
Total miscellaneous	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 18,907</u>	<u>\$ 6,907</u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2020

<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	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Other recovered costs	500	500	457	(43)
Total recovered costs	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 20,457</u>	<u>\$ (43)</u>
Total revenue from local sources	<u>\$ 2,697,710</u>	<u>\$ 2,697,710</u>	<u>\$ 2,609,457</u>	<u>\$ (88,253)</u>
<b>Intergovernmental:</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 38,000	\$ 38,000	\$ 39,073	\$ 1,073
Rolling stock tax	-	-	11	11
Personal property tax relief funds	35,424	35,424	35,424	-
Total noncategorical aid	<u>\$ 73,424</u>	<u>\$ 73,424</u>	<u>\$ 74,508</u>	<u>\$ 1,084</u>
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Arts grant	4,500	4,500	4,500	-
Law enforcement grant HB 599	29,000	29,000	31,248	2,248
Total other categorical aid	<u>\$ 43,500</u>	<u>\$ 43,500</u>	<u>\$ 45,748</u>	<u>\$ 2,248</u>
Total categorical aid	<u>\$ 43,500</u>	<u>\$ 43,500</u>	<u>\$ 45,748</u>	<u>\$ 2,248</u>
Total revenue from the Commonwealth	<u>\$ 116,924</u>	<u>\$ 116,924</u>	<u>\$ 120,256</u>	<u>\$ 3,332</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 grant	\$ 760,000	\$ 760,000	\$ 2,042	\$ (757,958)
JAG grant	1,000	1,000	927	(73)
Total categorical aid	<u>\$ 761,000</u>	<u>\$ 761,000</u>	<u>\$ 2,969</u>	<u>\$ (758,031)</u>
Total revenue from the federal government	<u>\$ 761,000</u>	<u>\$ 761,000</u>	<u>\$ 2,969</u>	<u>\$ (758,031)</u>
Total General Fund	<u>\$ 3,575,634</u>	<u>\$ 3,575,634</u>	<u>\$ 2,732,682</u>	<u>\$ (842,952)</u>

Municipal Corporation of Cape Charles, Virginia  
 Schedule of Expenditures - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2020

<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	\$ 37,982	\$ 37,982	\$ 20,950	\$ 17,032
Total legislative	<u>\$ 37,982</u>	<u>\$ 37,982</u>	<u>\$ 20,950</u>	<u>\$ 17,032</u>
General and financial administration:				
Town Clerk	\$ 159,573	\$ 159,573	\$ 143,707	\$ 15,866
Town Manager	504,944	503,043	575,603	(72,560)
Finance	282,918	288,066	290,762	(2,696)
Total general and financial administration	<u>\$ 947,435</u>	<u>\$ 950,682</u>	<u>\$ 1,010,072</u>	<u>\$ (59,390)</u>
Total general government administration	<u>\$ 985,417</u>	<u>\$ 988,664</u>	<u>\$ 1,031,022</u>	<u>\$ (42,358)</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 439,384	\$ 445,371	\$ 417,419	\$ 27,952
Total law enforcement and traffic control	<u>\$ 439,384</u>	<u>\$ 445,371</u>	<u>\$ 417,419</u>	<u>\$ 27,952</u>
Inspections:				
Code enforcement	\$ 131,835	\$ 131,835	\$ 128,922	\$ 2,913
Total inspections	<u>\$ 131,835</u>	<u>\$ 131,835</u>	<u>\$ 128,922</u>	<u>\$ 2,913</u>
Total public safety	<u>\$ 571,219</u>	<u>\$ 577,206</u>	<u>\$ 546,341</u>	<u>\$ 30,865</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 502,002	\$ 508,832	\$ 497,770	\$ 11,062
Total public works	<u>\$ 502,002</u>	<u>\$ 508,832</u>	<u>\$ 497,770</u>	<u>\$ 11,062</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 122,650	\$ 122,650	\$ 94,443	\$ 28,207
Total parks and recreation	<u>\$ 122,650</u>	<u>\$ 122,650</u>	<u>\$ 94,443</u>	<u>\$ 28,207</u>
Library:				
Library administration	\$ 167,703	\$ 167,703	\$ 171,063	\$ (3,360)
Total library	<u>\$ 167,703</u>	<u>\$ 167,703</u>	<u>\$ 171,063</u>	<u>\$ (3,360)</u>
Total parks, recreation, and cultural	<u>\$ 290,353</u>	<u>\$ 290,353</u>	<u>\$ 265,506</u>	<u>\$ 24,847</u>

Municipal Corporation of Cape Charles, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2020

<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	\$ 103,700	\$ 103,700	\$ 64,566	\$ 39,134
Total planning and community development	<u>\$ 103,700</u>	<u>\$ 103,700</u>	<u>\$ 64,566</u>	<u>\$ 39,134</u>
Total community development	<u>\$ 103,700</u>	<u>\$ 103,700</u>	<u>\$ 64,566</u>	<u>\$ 39,134</u>
Capital projects:				
Public infrastructure - streets and walkways	\$ 950,000	\$ 943,620	\$ 337,993	\$ 605,627
Public infrastructure - other	488,000	377,360	160,250	217,110
Vehicles and equipment	-	-	26,244	(26,244)
Total capital projects	<u>\$ 1,438,000</u>	<u>\$ 1,320,980</u>	<u>\$ 524,487</u>	<u>\$ 796,493</u>
Debt service:				
Principal retirement	\$ 120,960	\$ 120,960	\$ 123,758	\$ (2,798)
Interest and other fiscal charges	30,050	30,051	30,098	(47)
Total debt service	<u>\$ 151,010</u>	<u>\$ 151,011</u>	<u>\$ 153,856</u>	<u>\$ (2,845)</u>
Total General Fund	<u>\$ 4,041,701</u>	<u>\$ 3,940,746</u>	<u>\$ 3,083,548</u>	<u>\$ 857,198</u>

*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
2011	\$ 771,867	\$ 412,351	\$ 736,974	\$ 134,290	\$ 81,885	\$ 64,131	\$ 1,984,209	\$ 4,185,707
2012	770,193	422,784	447,869	227,507	72,660	51,332	2,326,252	4,318,597
2013	688,965	418,308	411,438	298,615	80,967	52,426	3,033,294	4,984,013
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

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		
2011	\$ 1,913,141	\$ 53,789	\$ 10,629,514	\$ 1,175,993	\$ 434,391	\$ 7,462	\$ 91,285	\$ 84,549	\$ 14,390,124	
2012	2,256,933	67,227	2,783,872	1,301,439	455,148	3,231	25,692	83,544	6,977,086	
2013	2,454,574	42,299	762,834	1,325,691	429,122	11,663	41,470	83,668	5,151,321	
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	

## Notes:

(1) Includes gain on disposal of capital assets.

Table 3

**Municipal Corporation of Cape Charles, Virginia  
General Governmental Expenditures by Function (1,2)  
Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2011	\$ 741,412	\$ 397,501	\$ 767,847	\$ 133,369	\$ 90,925	\$ 117,546	\$ 2,248,600
2012	804,556	426,190	523,896	140,580	78,201	116,088	2,089,511
2013	661,441	441,814	535,873	160,303	85,620	127,012	2,012,063
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

(1) Includes General Fund.

(2) Does not include capital project expenditures.

Table 4

**Municipal Corporation of Cape Charles, Virginia**  
**General Governmental Revenues by Source (1)**  
**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
2011	\$ 1,239,811	\$ 434,391	\$ 47,391	\$ 23,051	\$ 6,552	\$ 3,223	\$ 16,048	\$ 24,540	\$ 878,774	\$ 2,673,781
2012	1,227,729	455,148	40,821	13,020	3,057	2,007	5,780	64,074	561,861	2,373,497
2013	1,225,360	429,122	70,886	12,603	11,483	4,032	27,941	20,000	263,194	2,064,621
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

(1) Includes General Fund.

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
2011	\$ 1,306,596	\$ 1,211,634	92.73%	\$ 10,123	\$ 1,221,757	93.51%	\$ 133,928	10.25%
2012	1,334,098	1,194,242	89.52%	43,357	1,237,599	92.77%	198,183	14.86%
2013	1,346,641	1,168,065	86.74%	59,536	1,227,601	91.16%	263,301	19.55%
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%

(1) Exclusive of penalties, interest and land redemptions.

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)		
2011	\$ 618,341,300	\$ 12,162,400	\$ 17,000	\$ 3,678,477	\$	634,199,177
2012	622,094,327	14,489,100	17,000	3,940,015		640,540,442
2013	623,140,200	15,296,652	17,000	3,688,742		642,142,594
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

(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	
2011	\$ 0.1828	\$ 2.0000	\$ 0.1828	\$	0.1828
2012	0.1828	2.00	0.1828		0.1828
2013	0.1828	2.00	0.1828		0.1828
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

(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)			
2011	1,009	\$ 634,199,177	\$ 10,703,649	\$ 95,904	\$ 9,554,330	\$ 1,053,415	0.17%	\$ 1,044
2012	1,009	640,540,442	9,092,562	257,582	7,998,966	836,014	0.13%	829
2013	1,009	642,142,594	9,417,364	353,486	8,378,491	685,387	0.11%	679
2014	1,009	427,958,536	10,094,123	257,582	8,793,226	1,043,315	0.24%	1,034
2015	1,009	419,855,089	9,611,950	257,582	8,384,203	970,165	0.23%	962
2016	1,009	425,974,242	9,116,776	257,582	7,960,552	898,642	0.21%	891
2017	1,009	368,665,915	8,642,601	257,740	7,630,508	754,353	0.20%	748
2018	1,009	371,691,787	8,085,427	257,867	6,981,046	846,514	0.23%	839
2019	1,009	421,059,495	7,525,255	258,458	6,512,342	754,455	0.18%	748
2020	1,009	437,368,325	6,958,082	257,582	6,037,234	663,266	0.15%	657

(1) United States Census Bureau, Census 2010.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt. Excludes notes payable, 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, 2020, 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 18, 2021.

#### 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 have not been identified.

## 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.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia  
March 18, 2021