

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Municipal Corporation of Cape Charles, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Municipal Corporation of Cape Charles, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Corporation of Cape Charles, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2025, on our consideration of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and compliance.

Robinson, Fenn, Cox Associates

Richmond, Virginia
May 2, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Municipal Corporation of Cape Charles, Virginia (the "Municipal Corp.") we offer readers of the Municipal Corp.'s financial statements this narrative overview and analysis of the financial activities of the Municipal Corp. for the fiscal year ended June 30, 2024. Please read it in conjunction with the Municipal Corp.'s basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the Municipal Corp. exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,344,599 (net position).
- < The Municipal Corp. sold the Water and Sewer system during the current fiscal year, which resulted in a loss of \$5,197,178.

Fund Financial Statements

Governmental funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses by \$14,800,555 (Exhibit 5).

- < As of the close of the current fiscal year, the Municipal Corp.'s general fund reported an ending fund balance of \$18,067,063, an increase of \$14,499,888 in comparison with the prior year.
- < The combined long-term obligations decreased \$5,222,774 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

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

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

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

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

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

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

The Harbor Fund provides docking facilities and fuel sales for harbor customers. The Sanitation Fund provides refuse collection services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Municipal Corp.'s financial position. In the case of the Municipal Corp., assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,344,599 at the close of the most recent fiscal year. The following table summarizes the Municipal Corp.'s Statement of Net Position:

Municipal Corporation of Cape Charles, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$20,424,206	\$ 5,490,661	\$ 446,438	\$ 4,615,225	\$20,870,644	\$10,105,886
Capital assets	6,774,479	5,833,688	5,345,676	24,589,674	12,120,155	30,423,362
Total assets	\$27,198,685	\$11,324,349	\$ 5,792,114	\$29,204,899	\$32,990,799	\$40,529,248
Deferred outflows of resources:						
Pension related items	\$ 119,653	\$ 130,552	\$ -	\$ 43,517	\$ 119,653	\$ 174,069
OPEB related items	24,238	16,105	-	5,368	24,238	21,473
Total deferred outflows of resources	\$ 143,891	\$ 146,657	\$ -	\$ 48,885	\$ 143,891	\$ 195,542
Current liabilities	\$ 403,958	\$ 844,626	\$ 546,879	\$ 449,081	\$ 950,837	\$ 1,293,707
Long-term liabilities outstanding	317,341	900,251	-	4,639,864	317,341	5,540,115
Total liabilities	\$ 721,299	\$ 1,744,877	\$ 546,879	\$ 5,088,945	\$ 1,268,178	\$ 6,833,822
Deferred inflows of resources:						
Deferred revenue - prepaid taxes	\$ 10,251	\$ 31,718	\$ -	\$ -	\$ 10,251	\$ 31,718
Lease deferrals	4,123	6,184	-	-	4,123	6,184
Pension related items	86,175	110,542	-	36,848	86,175	147,390
OPEB related items	15,258	15,680	-	5,227	15,258	20,907
Total deferred inflows of resources	\$ 115,807	\$ 164,124	\$ -	\$ 42,075	\$ 115,807	\$ 206,199
Net position:						
Net investment in capital assets	\$ 6,675,026	\$ 5,007,046	\$ 5,345,676	\$20,013,819	\$12,020,702	\$25,020,865
Restricted:						
Debt covenants	-	-	-	258,593	-	258,593
Net pension asset	489,426	349,541	-	116,514	489,426	466,055
Unrestricted	18,934,912	4,205,418	(100,441)	3,733,838	18,834,471	7,939,256
Total net position	\$26,099,364	\$ 9,562,005	\$ 5,245,235	\$24,122,764	\$31,344,599	\$33,684,769

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Municipal Corp.'s net position decreased by \$2,340,170. The following table summarizes the Municipal Corp.'s Statement of Activities:

Municipal Corporation of Cape Charles, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 482,538	\$ 470,813	\$ 2,772,817	\$ 3,125,144	\$ 3,255,355	\$ 3,595,957
Operating grants and contributions	448,040	75,659	-	-	448,040	75,659
Capital grants and contributions	536,473	446,819	357,594	663,462	894,067	1,110,281
General revenues:						
General property taxes	1,934,275	1,821,640	-	-	1,934,275	1,821,640
Other local taxes	2,147,461	1,961,575	-	-	2,147,461	1,961,575
Grants and other contributions not restricted	66,378	68,327	228,687	-	295,065	68,327
Other general revenues	643,149	148,398	208,454	119,551	851,603	267,949
Total revenues	<u>\$ 6,258,314</u>	<u>\$ 4,993,231</u>	<u>\$ 3,567,552</u>	<u>\$ 3,908,157</u>	<u>\$ 9,825,866</u>	<u>\$ 8,901,388</u>
Expenses:						
General government administration	\$ 1,504,838	\$ 1,279,860	\$ -	\$ -	\$ 1,504,838	\$ 1,279,860
Public safety	874,738	818,082	-	-	874,738	818,082
Public works	697,154	744,797	-	-	697,154	744,797
Parks, recreation, and cultural	198,865	306,925	-	-	198,865	306,925
Community development	296,311	283,613	-	-	296,311	283,613
Interest and other fiscal charges	23,607	22,468	-	-	23,607	22,468
Enterprise funds	-	-	3,373,345	3,944,635	3,373,345	3,944,635
Total expenses	<u>\$ 3,595,513</u>	<u>\$ 3,455,745</u>	<u>\$ 3,373,345</u>	<u>\$ 3,944,635</u>	<u>\$ 6,968,858</u>	<u>\$ 7,400,380</u>
Special Item	\$ -	-	\$ (5,197,178)	-	(5,197,178)	-
Transfers	\$ 13,874,558	\$ 61,729	\$ (13,874,558)	\$ (61,729)	-	-
Change in net position	\$ 16,537,359	\$ 1,599,215	\$ (18,877,529)	\$ (98,207)	\$ (2,340,170)	\$ 1,501,008
Beginning of year	9,562,005	7,962,790	24,122,764	24,220,971	33,684,769	32,183,761
End of year	<u>\$ 26,099,364</u>	<u>\$ 9,562,005</u>	<u>\$ 5,245,235</u>	<u>\$ 24,122,764</u>	<u>\$ 31,344,599</u>	<u>\$ 33,684,769</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Municipal Corp.'s Funds

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

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

As of the end of the current fiscal year, the Municipal Corp.'s governmental funds reported a fund balance of \$19,010,822, an increase of \$14,800,555 in comparison with the prior year. \$17,831,171 of fund balance was unassigned. The majority of the increase in fund balance is attributable to the sale of the water and sewer system.

Proprietary Funds - The Municipal Corp.'s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to (\$100,441). Total net position decreased \$18,877,529. The majority of the decrease in net position was due to the sale of the water and sewer system.

General Fund Budgetary Highlights

During the year, actual revenues and other sources were more than budgetary estimates by \$14,315,389. Actual expenditures and other uses were less than budgetary estimates by \$517,042, resulting in a positive variance of \$14,832,431.

Capital Asset and Debt Administration

Capital assets - The Municipal Corp.'s investment in capital assets for its governmental activities and business type activities as of June 30, 2024, amounts to \$6,774,479 and \$5,345,676, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and leases.

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

Long-term debt - At the end of the current fiscal year, the Municipal Corp. had total long-term debt outstanding of \$99,453. Of this amount, \$0 comprises debt backed by the full faith and credit of the Municipal Corp. The remainder of the Municipal Corp.'s debt represents amounts secured solely by specific property (notes payable and equipment leases).

During the current fiscal year, the Municipal Corp.'s total debt outstanding decreased by \$5,186,467.

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

Next Year Budget

The fiscal year 2025 total budget decreased by approximately 3.56% due to planned completion of capital project expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Requests for Information

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

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, 2024

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 1,773,119	\$ 176,014	\$ 1,949,133
Investments	17,644,317	-	17,644,317
Receivables (net of allowance for uncollectibles):			
Taxes receivable	112,783	-	112,783
Accounts receivable	259,609	260,688	520,297
Lease receivable	3,569	-	3,569
Due from other governmental units	116,171	-	116,171
Inventories	-	9,736	9,736
Prepaid items	25,212	-	25,212
Net pension asset	489,426	-	489,426
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,165,460	-	2,165,460
Buildings and improvements	631,265	32,575	663,840
Improvements other than buildings	-	5,190,903	5,190,903
Machinery and equipment	362,039	122,198	484,237
Lease equipment	14,189	-	14,189
Infrastructure	2,951,872	-	2,951,872
Construction in progress	649,654	-	649,654
Total assets	<u>\$ 27,198,685</u>	<u>\$ 5,792,114</u>	<u>\$ 32,990,799</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 119,653	\$ -	\$ 119,653
OPEB related items	24,238	-	24,238
Total deferred outflows of resources	<u>\$ 143,891</u>	<u>\$ -</u>	<u>\$ 143,891</u>
LIABILITIES			
Accounts payable	\$ 152,353	\$ 139,369	\$ 291,722
Accrued liabilities	124,042	-	124,042
Reconciled overdraft payable	-	407,510	407,510
Unearned revenue	127,563	-	127,563
Long-term liabilities:			
Due within one year	47,693	-	47,693
Due in more than one year	269,648	-	269,648
Total liabilities	<u>\$ 721,299</u>	<u>\$ 546,879</u>	<u>\$ 1,268,178</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 86,175	\$ -	\$ 86,175
OPEB related items	15,258	-	15,258
Lease deferrals	4,123	-	4,123
Deferred revenue - property taxes	10,251	-	10,251
Total deferred inflows of resources	<u>\$ 115,807</u>	<u>\$ -</u>	<u>\$ 115,807</u>
NET POSITION			
Net investment in capital assets	\$ 6,675,026	\$ 5,345,676	\$ 12,020,702
Restricted:			
Net pension asset	489,426	-	489,426
Unrestricted	18,934,912	(100,441)	18,834,471
Total net position	<u>\$ 26,099,364</u>	<u>\$ 5,245,235</u>	<u>\$ 31,344,599</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, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government	
			Grants and Contributions			Governmental Activities	Business-type Activities
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,504,838	\$ 34,519	\$ -	\$ -	-	\$ (1,470,319)	\$ -
Public safety	874,738	447,356	131,987	-	-	(295,395)	-
Public works	697,154	-	311,553	-	-	(385,601)	-
Parks, recreation, and cultural	198,865	663	4,500	-	536,473	342,771	-
Community development	296,311	-	-	-	-	(296,311)	-
Interest on long-term debt	23,607	-	-	-	-	(23,607)	-
Total governmental activities	\$ 3,595,513	\$ 482,538	\$ 448,040	\$ 536,473	\$ -	\$ (2,128,462)	\$ -
Business-type activities:							
Water and Sewer	\$ 1,993,200	\$ 1,602,354	\$ -	\$ 357,594	\$ -	\$ (33,252)	\$ (33,252)
Harbor	1,052,693	836,173	-	-	-	(216,520)	-
Sanitation	327,452	334,290	-	-	-	-	6,838
Total business-type activities	\$ 3,373,345	\$ 2,772,817	\$ -	\$ 357,594	\$ -	\$ (242,934)	\$ (242,934)
Total primary government	\$ 6,968,858	\$ 3,255,355	\$ 448,040	\$ 894,067	\$ -	\$ (2,128,462)	\$ (2,371,396)

General revenues:							
General property taxes	\$	1,934,275	\$	-	\$	-	1,934,275
Restaurant food taxes		872,907		-		-	872,907
Business license taxes		357,272		-		-	357,272
Hotel and motel room taxes		639,825		-		-	639,825
Other local taxes		277,457		-		-	277,457
Unrestricted revenues from use of money		298,902		208,334		507,236	
Miscellaneous		344,247		120		344,367	
Grants and contributions not restricted to specific programs		66,378		228,687		295,065	
Gain (loss) on disposal of operations		-		(5,197,178)		(5,197,178)	
Transfers		13,874,558		(13,874,558)		-	
Total general revenues and transfers	\$	18,665,821	\$	(18,634,595)	\$	31,226	
Change in net position	\$	16,537,359	\$	(18,877,529)	\$	(2,340,170)	
Net position - beginning		9,562,005		24,122,764		33,684,769	
Net position - ending	\$	26,099,364	\$	5,245,235	\$	31,344,599	

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

FUND FINANCIAL STATEMENTS

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Municipal Corporation of Cape Charles, Virginia
Balance Sheet
Governmental Funds
June 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 599,878	\$ -	\$ 970,188	\$ 1,570,066
Investments	17,428,486	-	215,831	17,644,317
Receivables:				
Taxes receivable	112,783	-	-	112,783
Accounts receivable	247,104	-	12,505	259,609
Lease receivable	3,569	-	-	3,569
Due from other governmental units	25,438	-	90,733	116,171
Prepaid items	25,212	-	-	25,212
Total assets	<u>\$ 18,442,470</u>	<u>\$ -</u>	<u>\$ 1,289,257</u>	<u>\$ 19,731,727</u>
LIABILITIES				
Accounts payable	\$ 137,471	\$ 7,627	\$ 7,255	\$ 152,353
Accrued liabilities	124,042	-	-	124,042
Reconciled overdraft payable	-	203,053	-	203,053
Unearned revenue	-	-	127,563	127,563
Total liabilities	<u>\$ 261,513</u>	<u>\$ 210,680</u>	<u>\$ 134,818</u>	<u>\$ 607,011</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 109,771	\$ -	\$ -	\$ 109,771
Lease deferrals	4,123	-	-	4,123
Total deferred inflows of resources	<u>\$ 113,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,894</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 25,212	\$ -	\$ -	\$ 25,212
Committed	-	-	1,154,439	1,154,439
Unassigned (deficit)	18,041,851	(210,680)	-	17,831,171
Total fund balance (deficit)	<u>\$ 18,067,063</u>	<u>\$ (210,680)</u>	<u>\$ 1,154,439</u>	<u>\$ 19,010,822</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 18,442,470</u>	<u>\$ -</u>	<u>\$ 1,289,257</u>	<u>\$ 19,731,727</u>

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

Municipal Corporation of Cape Charles, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 19,010,822
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 12,301,462	
Accumulated depreciation	<u>(5,526,983)</u>	6,774,479

The net pension asset is not an available resource and, therefore, is not reported in the funds.		489,426
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.

Unavailable property taxes		99,520
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Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.

Pension related items	\$ 119,653	
OPEB related items	<u>24,238</u>	143,891

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	\$ (85,371)	
Lease liabilities	(14,082)	
Net OPEB liability	(86,231)	
Compensated absences	<u>(131,657)</u>	(317,341)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (86,175)	
OPEB related items	<u>(15,258)</u>	(101,433)

Net position of governmental activities		<u><u>\$ 26,099,364</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 Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 1,883,080	\$ -	\$ -	\$ -	\$ 1,883,080
Other local taxes	2,147,461	-	-	-	2,147,461
Permits, privilege fees, and regulatory licenses	381,178	-	-	-	381,178
Fines and forfeitures	66,028	-	-	-	66,028
Revenue from the use of money and property	333,421	-	-	-	333,421
Charges for services	813	-	-	-	813
Miscellaneous	343,836	411	-	-	344,247
Recovered costs	31,257	-	-	-	31,257
Intergovernmental:					
Commonwealth	104,597	19,500	-	536,473	660,570
Federal	28,794	52,059	-	309,468	390,321
Total revenues	<u>\$ 5,320,465</u>	<u>\$ 71,970</u>	<u>\$ -</u>	<u>\$ 845,941</u>	<u>\$ 6,238,376</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,454,551	\$ -	\$ -	\$ -	\$ 1,454,551
Public safety	1,051,471	15,000	-	-	1,066,471
Public works	740,294	-	-	-	740,294
Parks, recreation, and cultural	179,409	6,867	-	-	186,276
Community development	216,664	91,069	-	-	307,733
Capital projects	-	-	-	922,835	922,835
Debt service:					
Principal retirement	7,203	-	652,209	-	659,412
Interest and other fiscal charges	996	-	22,611	-	23,607
Total expenditures	<u>\$ 3,650,588</u>	<u>\$ 112,936</u>	<u>\$ 674,820</u>	<u>\$ 922,835</u>	<u>\$ 5,361,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,669,877</u>	<u>\$ (40,966)</u>	<u>\$ (674,820)</u>	<u>\$ (76,894)</u>	<u>\$ 877,197</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 14,393,390	\$ -	\$ 1,193,652	\$ 598,377	\$ 16,185,419
Transfers out	(1,612,179)	(179,850)	(518,832)	-	(2,310,861)
Issuance of note payable	48,800	-	-	-	48,800
Total other financing sources (uses)	<u>\$ 12,830,011</u>	<u>\$ (179,850)</u>	<u>\$ 674,820</u>	<u>\$ 598,377</u>	<u>\$ 13,923,358</u>
Net change in fund balance	\$ 14,499,888	\$ (220,816)	\$ -	\$ 521,483	\$ 14,800,555
Fund balance - beginning	3,567,175	10,136	-	632,956	4,210,267
Fund balance - ending	<u>\$ 18,067,063</u>	<u>\$ (210,680)</u>	<u>\$ -</u>	<u>\$ 1,154,439</u>	<u>\$ 19,010,822</u>

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

Municipal Corporation of Cape Charles, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2024

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

Net change in fund balance - total governmental funds	\$ 14,800,555
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 1,221,723	
Depreciation expense	<u>(280,932)</u>	940,791

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	51,195
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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	\$ 629,218	
Principal retirement on notes payable	22,991	
Principal retirement on lease liabilities	7,203	
Issuance of notes payable	<u>(48,800)</u>	610,612

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	\$ (3,963)	
Change in OPEB related items	(15,184)	
Change in pension related items	<u>153,353</u>	134,206

Change in net position of governmental activities	<u><u>\$ 16,537,359</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, 2024

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 100,000	\$ -	\$ 76,014	\$ 176,014
Accounts receivable, net of allowance for uncollectibles	-	229,665	31,023	260,688
Inventories	-	9,736	-	9,736
Total current assets	<u>\$ 100,000</u>	<u>\$ 239,401</u>	<u>\$ 107,037</u>	<u>\$ 446,438</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Buildings and improvements	\$ -	\$ 32,575	\$ -	\$ 32,575
Improvements other than buildings	-	5,190,903	-	5,190,903
Machinery and equipment	-	122,198	-	122,198
Total capital assets	<u>\$ -</u>	<u>\$ 5,345,676</u>	<u>\$ -</u>	<u>\$ 5,345,676</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ 5,345,676</u>	<u>\$ -</u>	<u>\$ 5,345,676</u>
Total assets	<u>\$ 100,000</u>	<u>\$ 5,585,077</u>	<u>\$ 107,037</u>	<u>\$ 5,792,114</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ 86,449	\$ 52,920	\$ 139,369
Reconciled overdraft payable	-	407,510	-	407,510
Total current liabilities	<u>\$ -</u>	<u>\$ 493,959</u>	<u>\$ 52,920</u>	<u>\$ 546,879</u>
Total liabilities	<u>\$ -</u>	<u>\$ 493,959</u>	<u>\$ 52,920</u>	<u>\$ 546,879</u>
NET POSITION				
Net investment in capital assets	\$ -	\$ 5,345,676	\$ -	\$ 5,345,676
Unrestricted (deficit)	100,000	(254,558)	54,117	(100,441)
Total net position	<u>\$ 100,000</u>	<u>\$ 5,091,118</u>	<u>\$ 54,117</u>	<u>\$ 5,245,235</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, 2024

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 567,648	\$ -	\$ -	\$ 567,648
Sewer	1,018,156	-	-	1,018,156
Harbor fees	-	368,821	-	368,821
Refuse collection	-	-	331,846	331,846
Fuel and oil sales	-	461,236	-	461,236
Penalties	16,550	-	2,444	18,994
Other revenues	-	6,116	-	6,116
Miscellaneous	120	-	-	120
Total operating revenues	\$ 1,602,474	\$ 836,173	\$ 334,290	\$ 2,772,937
OPERATING EXPENSES				
Personnel services	\$ 381,181	\$ 14,163	\$ -	\$ 395,344
Fringe benefits	219,997	3,409	-	223,406
Contractual services	235,811	274,723	307,510	818,044
Other supplies and expenses	554,846	492,905	17,570	1,065,321
Depreciation	558,560	249,686	2,372	810,618
Total operating expenses	\$ 1,950,395	\$ 1,034,886	\$ 327,452	\$ 3,312,733
Operating income (loss)	\$ (347,921)	\$ (198,713)	\$ 6,838	\$ (539,796)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental:				
Commonwealth	\$ -	\$ 228,687	\$ -	\$ 228,687
Interest income	208,334	-	-	208,334
Connection fees	53,050	-	-	53,050
Facility fees	304,544	-	-	304,544
Interest and fiscal charges	(42,805)	(17,807)	-	(60,612)
Total nonoperating revenues (expenses)	\$ 523,123	\$ 210,880	\$ -	\$ 734,003
Income (loss) before special items and transfers	\$ 175,202	\$ 12,167	\$ 6,838	\$ 194,207
SPECIAL ITEM				
Loss on sale of plant	\$ (5,197,178)	\$ -	\$ -	\$ (5,197,178)
Transfers in	-	518,832	-	518,832
Transfers out	(14,393,390)	-	-	(14,393,390)
Change in net position	\$ (19,415,366)	\$ 530,999	\$ 6,838	(18,877,529)
Net position - beginning	19,515,366	4,560,119	47,279	24,122,764
Net position - ending	\$ 100,000	\$ 5,091,118	\$ 54,117	\$ 5,245,235

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, 2024

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,004,967	\$ 774,526	\$ 325,711	\$ 2,105,204
Payments for operating expenses	(786,355)	(361,465)	(296,561)	(1,444,381)
Payments to employees	(541,863)	(17,572)	-	(559,435)
Net cash provided by (used for) operating activities	\$ (323,251)	\$ 395,489	\$ 29,150	\$ 101,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (10,749,031)	\$ -	\$ -	\$ (10,749,031)
Transfers from other funds	-	518,832	-	518,832
Intergovernmental	-	228,687	-	228,687
Net cash provided by (used for) noncapital financing activities	\$ (10,749,031)	\$ 747,519	\$ -	\$ (10,001,512)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (519,237)	\$ (627,159)	\$ -	\$ (1,146,396)
Principal payments on bonds	(4,014,394)	(561,461)	-	(4,575,855)
Connection fees	(111,702)	-	-	(111,702)
Facility fees	304,544	-	-	304,544
Interest payments	(66,227)	(26,692)	-	(92,919)
Sale of plant	15,050,000	-	-	15,050,000
Net cash provided by (used for) capital and related financing activities	\$ 10,642,984	\$ (1,215,312)	\$ -	\$ 9,427,672
Net increase (decrease) in cash and cash equivalents	\$ (429,298)	\$ (72,304)	\$ 29,150	\$ (472,452)
Cash and cash equivalents - beginning	529,298	72,304	46,864	648,466
Cash and cash equivalents - ending	\$ 100,000	\$ -	\$ 76,014	\$ 176,014
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (347,921)	\$ (198,713)	\$ 6,838	\$ (539,796)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 558,560	\$ 249,686	\$ 2,372	\$ 810,618
(Increase) decrease in accounts receivable	(579,894)	(61,647)	(8,579)	(650,120)
(Increase) decrease in inventories	-	3,650	-	3,650
(Increase) decrease in net pension asset	116,514	-	-	116,514
(Increase) decrease in deferred outflows of resources	48,885	-	-	48,885
Increase (decrease) in customer deposits	(17,613)	-	-	(17,613)
Increase (decrease) in accounts payable	10,859	(4,997)	28,519	34,381
Increase (decrease) in accrued liabilities	(6,557)	-	-	(6,557)
Increase (decrease) in reconciled overdraft payable	-	407,510	-	407,510
Increase (decrease) in compensated absences	(43,178)	-	-	(43,178)
Increase (decrease) in net OPEB liability	(20,831)	-	-	(20,831)
Increase (decrease) in deferred inflows of resources	(42,075)	-	-	(42,075)
Total adjustments	\$ 24,670	\$ 594,202	\$ 22,312	\$ 641,184
Net cash provided by (used for) operating activities	\$ (323,251)	\$ 395,489	\$ 29,150	\$ 101,388

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, 2024

Note 1 – Summary of Significant Accounting Policies:

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

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

Financial Statements

Government-wide and Fund Financial Statements

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

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

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

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

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Municipal Corp. of Cape Charles (the primary government). Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally and substantively separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units. The Municipal Corp. has no blended component units at June 30, 2024.

Discretely Presented Component Units. - The Municipal Corp. has no discretely presented component units at June 30, 2024.

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

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

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

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

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

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

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

Enterprise Funds

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

F. Prepaid Items

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Municipal Corp. calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible sanitation billing and harbor billing amounted to \$11,293 and \$15,240, respectively, at June 30, 2024. The allowance for uncollectible property taxes was \$29,022 at June 30, 2024.

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.

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

J. Use of Estimates

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

K. Net Position

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

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

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

N. Long-term Obligations

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

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

O. Inventories

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

P. Fund Balance

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

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

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

P. Fund Balance (Continued)

Municipal Corp. Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Municipal Corp. Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Q. Deferred Outflows/Inflows of Resources

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

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

R. Leases

The Municipal Corp. has various lease assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

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

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

Lessee

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

Key Estimates and Judgments

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

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

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

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 2 – Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the Debt Service fund for the fiscal year ended June 30, 2024.

Note 3 – Deposits and Investments:

Deposits

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

Investments

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 3 – Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Municipal Corp.'s rated debt investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale. The Municipal Corp.'s investment policy has an emphasis on high credit quality and known marketability. The Municipal Corp.'s policy seeks to maximize the rate of return on investments while maintaining a low level of risk.

Rated Debt Investments	Fair Quality Rating	
	AAAm	AA+f/S1
Local Government Investment Pool	\$ 479,491	\$ -
VML/VACO Virginia Investment Pool Stable Nav	15,853,233	-
VML/VACO Virginia Investment 1-3 Year High Quality Bond Fund	-	1,052,936
Money Market Mutual Fund	258,657	-
Total	<u>\$ 16,591,381</u>	<u>\$ 1,052,936</u>

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-3 Years
Local Government Investment Pool	\$ 479,491	\$ 479,491	\$ -
VML/VACO Virginia Investment Pool Stable Nav	15,853,233	15,853,233	-
VML/VACO Virginia Investment Pool 1-3 Year High Quality Bond Fund	1,052,936	-	1,052,936
Total	<u>\$ 17,385,660</u>	<u>\$ 16,332,724</u>	<u>\$ 1,052,936</u>

External Investment Pools

LGIP

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 3 – Deposits and Investments: (Continued)

External Investment Pools (Continued)

VML/VACO Virginia Investment Pool

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

Fair Value Measurements

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

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

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

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

The Municipal Corp. has the following recurring fair value measurements as of June 30, 2024:

Investment type	Balance June 30, 2024	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)
Money market mutual funds:				
U.S. Government Obligations	\$ 258,657	\$ 258,657	\$ -	\$ -
	\$ 258,657	\$ 258,657	\$ -	\$ -

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 4 – Due from Other Governments:

At June 30, 2024, the Municipal Corp. has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Northampton	\$ 20,603
Commonwealth of Virginia:	
Communications tax	4,835
VDOT	90,733
Total due from other governments	\$ <u>116,171</u>

Note 5 – Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Governmental Activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,165,460	\$ -	\$ -	\$ 2,165,460
Construction in progress	504,891	144,763	-	649,654
Total capital assets not subject to depreciation	\$ 2,670,351	\$ 144,763	\$ -	\$ 2,815,114
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,569,336	\$ 26,991	\$ -	\$ 3,596,327
Machinery and equipment	1,732,248	238,159	-	1,970,407
Infrastructure	3,073,706	811,810	-	3,885,516
Lease equipment	34,098	-	-	34,098
Total capital assets subject to depreciation	\$ 8,409,388	\$ 1,076,960	\$ -	\$ 9,486,348
Accumulated depreciation:				
Buildings and improvements	\$ 2,899,484	\$ 65,578	\$ -	\$ 2,965,062
Machinery and equipment	1,521,933	86,435	-	1,608,368
Infrastructure	811,545	122,099	-	933,644
Lease equipment	13,089	6,820	-	19,909
Total accumulated depreciation	\$ 5,246,051	\$ 280,932	\$ -	\$ 5,526,983
Total capital assets subject to depreciation, net	\$ 3,163,337	\$ 796,028	\$ -	\$ 3,959,365
Governmental activities capital assets, net	\$ <u>5,833,688</u>	\$ <u>940,791</u>	\$ <u>-</u>	\$ <u>6,774,479</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 5 – Capital Assets: (Continued)

Business-type Activities:	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not subject to depreciation:				
Construction in progress	\$ 209,043	\$ -	\$ 209,043	\$ -
Capital assets subject to depreciation:				
Water and sewer system	\$ 30,207,813	\$ 641,564	\$ 30,849,377	\$ -
Buildings and improvements	755,670	-	-	755,670
Improvements other than buildings	8,267,334	699,240	-	8,966,574
Machinery and equipment	1,218,734	14,635	826,900	406,469
Total capital assets subject to depreciation	\$ 40,449,551	\$ 1,355,439	\$ 31,676,277	\$ 10,128,713
Accumulated depreciation:				
Water and sewer system	\$ 10,868,433	\$ 534,860	\$ 11,403,293	\$ -
Buildings and improvements	690,520	32,575	-	723,095
Improvements other than buildings	3,571,294	204,377	-	3,775,671
Machinery and equipment	938,673	38,806	693,208	284,271
Total accumulated depreciation	\$ 16,068,920	\$ 810,618	\$ 12,096,501	\$ 4,783,037
Total capital assets subject to depreciation, net	\$ 24,380,631	\$ 544,821	\$ 19,579,776	\$ 5,345,676
Business-type activities capital assets, net	\$ 24,589,674	\$ 544,821	\$ 19,788,819	\$ 5,345,676

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 62,214
Public safety	39,194
Public works	29,496
Parks, recreation and cultural	150,028
Total governmental activities	\$ 280,932

Business-type activities:

Water and Sewer	\$ 558,560
Harbor	249,686
Sanitation	2,372
Total business-type activities	\$ 810,618

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (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, 2024:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 127,694	\$ 16,732	\$ 12,769	\$ 131,657	\$ 12,654
Net OPEB liability	62,492	61,198	37,459	86,231	-
Lease liabilities	21,285	-	7,203	14,082	7,604
Direct borrowings and placements:					
General obligation bonds	629,218	-	629,218	-	-
Notes payable	59,562	48,800	22,991	85,371	27,435
Total obligations from governmental activities	\$ 900,251	\$ 126,730	\$ 709,640	\$ 317,341	\$ 47,693
Business-type activities:					
Compensated absences	\$ 43,178	\$ -	\$ 43,178	\$ -	\$ -
Net OPEB liability	20,831	-	20,831	-	-
Direct borrowings and placements:					
General obligation bonds	4,575,855	-	4,575,855	-	-
Total obligations from business-type activities	\$ 4,639,864	\$ -	\$ 4,639,864	\$ -	\$ -
Total long-term obligations	\$ 5,540,115	\$ 126,730	\$ 5,349,504	\$ 317,341	\$ 47,693

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 6 – Long-term Obligations: (Continued)

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

Year Ending June 30	Lease Liabilities		Direct Borrowings Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 7,604	\$ 595	\$ 27,435	\$ 2,685
2026	5,857	184	27,529	1,927
2027	621	7	9,726	1,160
2028	-	-	10,097	789
2029	-	-	10,584	404
Total	\$ <u>14,082</u>	\$ <u>786</u>	\$ <u>85,371</u>	\$ <u>6,965</u>

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements June 30, 2024 (Continued)

Note 6 – Long-term Obligations: (Continued)

Long-term obligations at June 30, 2024 are as follows:

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness:</u>	
<u>Governmental Activities:</u>	
<u>Lease liabilities:</u>	
Equipment lease - postage equipment - issued 7/1/21 through 10/1/25 @ 5.00%, quarterly payments of \$830	\$ 4,768
Equipment lease - copier - issued 7/1/21 through 4/27/26 @ 5.99%, monthly payments of \$250	5,191
Equipment lease - copier - issued 10/28/21 through 10/28/26 @ 5.35%, monthly payments of \$157	4,123
Total lease liabilities	<u>\$ 14,082</u>
<u>Direct borrowings and placements:</u>	
Notes Payable:	
\$90,000 Rural Development note issued June 23, 2021, due in annual installments of \$19,234 through June, 2026, interest at 2.25%. This note is secured by equipment.	\$ 36,571
\$48,800 Rural Development note issued November 6, 2023, due in annual installments of \$10,886 through November 6, 2028, interest at 3.75%. This note is secured by a police vehicle.	48,800
Total notes payable	<u>\$ 85,371</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 6 – Long-term Obligations: (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)	\$ 131,657
Net OPEB Liability (payable from the General Fund)	\$ 86,231
Total governmental activities obligations	<u>\$ 317,341</u>

The Municipal Corp. has a working capital line of credit of \$500,000 with Atlantic Union Bank. Advances on the line-of-credit are collateralized by a general blanket assignment of all accounts, contracts or other receivables and proceeds. At June 30, 2024, the Municipal Corp. outstanding balance against this line of credit was \$0 and the interest rate was 3.75%. The line of credit was not utilized during the year ended June 30, 2024.

Note 7 – Deferred/Unavailable Revenue:

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 \$109,771 consists of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$99,520 at June 30, 2024.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2024 but paid in advance by the taxpayers totaled \$10,251 at June 30, 2024.

Note 8 – Litigation:

At June 30, 2024, 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:

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.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 10 – Interfund Transfers:

Interfund transfers for the year ended June 30, 2024, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 14,393,390	\$ 1,612,179
Special Revenue	-	179,850
Debt Service	1,193,652	518,832
Capital Projects	598,377	-
Water and Sewer	-	14,393,390
Harbor	518,832	-
Total	<u>\$ 16,704,251</u>	<u>\$ 16,704,251</u>

Note 11 – Sale of Water and Sewer System:

The Municipal Corp. sold the water and sewer system to Virginia-American Water Company on April 24, 2024. Under the terms of the agreement, the ownership of all capital assets and related depreciation associated with the water and sewer system, which were previously shown on the Water and Sewer Fund of the financial statements, passed to Virginia-American Water Company. Upon the transfer of ownership, Virginia-American water became responsible for the operations and maintenance of the water and sewer system.

Note 12 – Deficit Fund Balance:

A deficit fund balance of \$210,680 in the Special Revenue Fund is the result of a \$179,850 transfer to capital projects and budgeted revenues exceeding actual revenues by \$44,530. The Municipal Corp. expects the Special Revenue Fund to recover the deficit with a transfer from other funds.

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan:

Plan Description

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

Benefit Structures

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

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

Note 13 – 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, 2022 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	20
Inactive members:	
Vested inactive members	12
Non-vested inactive members	18
Active members active elsewhere in VRS	<u>8</u>
Total inactive members	38
Active members	<u>34</u>
Total covered employees	<u><u>92</u></u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

Contributions

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

The Municipal Corp.’s contractually required employer contribution rate for the year ended June 30, 2024 was 7.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Municipal Corp. were \$117,256 and \$109,916 for the years ended June 30, 2024 and June 30, 2023, 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, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023.

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, 2022, 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, 2023.

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Note 13 – Pension Plan: (Continued)

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, 2022, 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, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

Discount Rate (Continued)

employer contribution rate. For the year ended June 30, 2024, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 4,279,439	\$ 4,745,494	\$ (466,055)
Changes for the year:			
Service cost	\$ 192,439	\$ -	\$ 192,439
Interest	296,308	-	296,308
Differences between expected and actual experience	(13,349)	-	(13,349)
Contributions - employer	-	109,779	(109,779)
Contributions - employee	-	80,660	(80,660)
Net investment income	-	311,221	(311,221)
Benefit payments, including refunds	(164,259)	(164,259)	-
Administrative expenses	-	(3,017)	3,017
Other changes	-	126	(126)
Net changes	\$ 311,139	\$ 334,510	\$ (23,371)
Balances at June 30, 2023	\$ 4,590,578	\$ 5,080,004	\$ (489,426)

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – 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)	\$ 154,937	\$ (489,426)	\$ (1,046,516)

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

For the year ended June 30, 2024, the Municipal Corp. recognized pension expense of \$86,949. At June 30, 2024, 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	\$ 574	\$ 16,333
Change of assumptions	1,823	-
Net difference between projected and actual earnings on pension plan investments	-	69,842
Employer contributions subsequent to the measurement date	117,256	-
Total	\$ 119,653	\$ 86,175

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 13 – Pension Plan: (Continued)

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

\$117,256 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, 2025. 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:

Year ended June 30	
2025	\$ (62,354)
2026	(90,877)
2027	67,475
2028	1,978
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$9,574 and \$9,145 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the grants and contributions not restricted to specific programs of the financial statements.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

At June 30, 2024, the entity reported a liability of \$86,231 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.00719% as compared to 0.00690% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$4,796. 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, 2024, 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	\$ 8,612	\$ 2,618
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,465
Change in assumptions	1,843	5,974
Changes in proportionate share	4,209	3,201
Employer contributions subsequent to the measurement date	<u>9,574</u>	<u>-</u>
Total	\$ <u>24,238</u>	\$ <u>15,258</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – 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)

\$9,574 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, 2025. 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>	
2025	\$ (271)
2026	(3,497)
2027	1,221
2028	539
2029	1,414
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

Actuarial Assumptions: (Continued)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability (Asset)	\$	<u>1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		69.30%

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

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 14 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Municipal Corp's proportionate share of the GLI Plan Net OPEB Liability	\$	127,821	\$ 86,231	\$ 52,605

GLI Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15 – 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.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2024 (Continued)

Note 15 – Line of Duty Act (LODA) (OPEB Benefits): (Continued)

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, 2024 was \$5,605.

Note 16 – Lease Receivable:

The Municipal Corp. leases land for a water tower site under a lease contract. In fiscal year 2024, the Municipal Corp. recognized lease and interest revenue in the amount of \$2,350 and \$50, respectively. A description of the lease is as follows:

Lease Description	Interest Rate	Installments	Start Date	End Date	Payment Frequency	Ending Balance
Water Tower	1.00%	\$ 600	1/26/2021	1/26/2026	quarterly	\$ 3,569

There are no variable payments for the leases receivable above.

Expected future payments at June 30, 2024 are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2025	\$ 2,373	\$ 27	\$ 2,400
2026	1,196	4	1,200
Total	<u>\$ 3,569</u>	<u>\$ 31</u>	<u>\$ 3,600</u>

Note 17 – Upcoming Pronouncements:

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Municipal Corporation of Cape Charles, Virginia
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 1,828,000	\$ 1,851,587	\$ 1,883,080	\$ 31,493
Other local taxes	2,087,481	2,242,658	2,147,461	(95,197)
Permits, privilege fees, and regulatory licenses	293,050	300,822	381,178	80,356
Fines and forfeitures	83,266	90,464	66,028	(24,436)
Revenue from the use of money and property	81,623	102,815	333,421	230,606
Charges for services	5,850	5,850	813	(5,037)
Miscellaneous	560,249	635,694	343,836	(291,858)
Recovered costs	46,670	34,170	31,257	(2,913)
Intergovernmental:				
Commonwealth	102,605	102,406	104,597	2,191
Federal	20,875	32,000	28,794	(3,206)
Total revenues	<u>\$ 5,109,669</u>	<u>\$ 5,398,466</u>	<u>\$ 5,320,465</u>	<u>\$ (78,001)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,506,188	\$ 1,596,959	\$ 1,454,551	\$ 142,408
Public safety	1,076,477	1,126,719	1,051,471	75,248
Public works	775,271	783,743	740,294	43,449
Parks, recreation, and cultural	188,576	188,576	179,409	9,167
Community development	367,544	367,544	216,664	150,880
Debt service:				
Principal retirement	-	-	7,203	(7,203)
Interest and other fiscal charges	-	-	996	(996)
Total expenditures	<u>\$ 3,914,056</u>	<u>\$ 4,063,541</u>	<u>\$ 3,650,588</u>	<u>\$ 412,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,195,613</u>	<u>\$ 1,334,925</u>	<u>\$ 1,669,877</u>	<u>\$ 334,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 14,393,390	\$ 14,393,390
Transfers out	(1,555,781)	(1,716,268)	(1,612,179)	104,089
Issuance of notes payable	27,625	48,800	48,800	-
Total other financing sources (uses)	<u>\$ (1,528,156)</u>	<u>\$ (1,667,468)</u>	<u>\$ 12,830,011</u>	<u>\$ 14,497,479</u>
Net change in fund balance	\$ (332,543)	\$ (332,543)	\$ 14,499,888	\$ 14,832,431
Fund balance - beginning	332,543	332,543	3,567,175	3,234,632
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,067,063</u>	<u>\$ 18,067,063</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2024

	Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 411	\$ (5,589)
Intergovernmental:				
Commonwealth	19,500	19,500	19,500	-
Federal	91,000	91,000	52,059	(38,941)
Total revenues	\$ 116,500	\$ 116,500	\$ 71,970	\$ (44,530)
EXPENDITURES				
Current:				
Public safety	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, recreation, and cultural	10,500	10,500	6,867	3,633
Community development	91,000	91,000	91,069	(69)
Total expenditures	\$ 116,500	\$ 116,500	\$ 112,936	\$ 3,564
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (40,966)	\$ (40,966)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (179,850)	\$ (179,850)	(179,850)	\$ -
Total other financing sources and uses	\$ (179,850)	\$ (179,850)	\$ (179,850)	\$ -
Net change in fund balances	\$ (179,850)	\$ (179,850)	\$ (220,816)	\$ (40,966)
Fund balances - beginning	179,850	179,850	10,136	(169,714)
Fund balances - ending	\$ -	\$ -	\$ (210,680)	\$ (210,680)

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, 2023

	2023	2022	2021
Total pension liability			
Service cost	\$ 192,439	\$ 169,128	\$ 164,575
Interest	296,308	276,114	233,295
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(13,349)	(25,653)	43,690
Changes of assumptions	-	-	138,542
Benefit payments	(164,259)	(123,208)	(106,543)
Net change in total pension liability	\$ 311,139	\$ 296,381	\$ 473,559
Total pension liability - beginning	4,279,439	3,983,058	3,509,499
Total pension liability - ending (a)	\$ 4,590,578	\$ 4,279,439	\$ 3,983,058
Plan fiduciary net position			
Contributions - employer	\$ 109,779	\$ 74,981	\$ 72,656
Contributions - employee	80,660	71,133	96,800
Net investment income	311,221	(7,359)	1,020,240
Benefit payments	(164,259)	(123,208)	(106,543)
Administrator charges	(3,017)	(2,906)	(2,414)
Other	126	112	97
Net change in plan fiduciary net position	\$ 334,510	\$ 12,753	\$ 1,080,836
Plan fiduciary net position - beginning	4,745,494	4,732,741	3,651,905
Plan fiduciary net position - ending (b)	\$ 5,080,004	\$ 4,745,494	\$ 4,732,741
Municipal Corporation's net pension liability (asset) - ending (a) - (b)	\$ (489,426)	\$ (466,055)	\$ (749,683)
Plan fiduciary net position as a percentage of the total pension liability	110.66%	110.89%	118.82%
Covered payroll	\$ 1,693,579	\$ 1,504,384	\$ 1,448,614
Municipal Corporation's net pension liability (asset) as a percentage of covered payroll	-28.90%	-30.98%	-51.75%

Exhibit 12

2020	2019	2018	2017	2016	2015	2014
\$ 165,879	\$ 151,056	\$ 146,357	\$ 123,278	\$ 131,962	\$ 117,294	\$ 96,808
209,212	201,705	181,520	175,415	171,863	157,456	145,759
-	-	113,556	-	-	-	-
79,391	(142,946)	(53,377)	(45,840)	(145,730)	11,707	-
-	97,484	-	(51,731)	-	-	-
(88,851)	(89,865)	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
\$ 365,631	\$ 217,434	\$ 278,524	\$ 82,837	\$ 61,683	\$ 221,594	\$ 156,470
3,143,868	2,926,434	2,647,910	2,565,073	2,503,390	2,281,796	2,125,326
\$ 3,509,499	\$ 3,143,868	\$ 2,926,434	\$ 2,647,910	\$ 2,565,073	\$ 2,503,390	\$ 2,281,796
\$ 77,019	\$ 74,902	\$ 87,168	\$ 49,527	\$ 57,508	\$ 55,321	\$ 95,752
68,463	77,128	66,054	58,943	56,761	54,670	54,200
67,944	222,304	223,601	327,947	47,286	113,899	328,807
(88,851)	(89,865)	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
(2,230)	(2,071)	(1,856)	(1,872)	(1,606)	(1,494)	(1,701)
(82)	(141)	(202)	(291)	(20)	(24)	18
\$ 122,263	\$ 282,257	\$ 265,233	\$ 315,969	\$ 63,517	\$ 157,509	\$ 390,979
3,529,642	3,247,385	2,982,152	2,666,183	2,602,666	2,445,157	2,054,178
\$ 3,651,905	\$ 3,529,642	\$ 3,247,385	\$ 2,982,152	\$ 2,666,183	\$ 2,602,666	\$ 2,445,157
\$ (142,406)	\$ (385,774)	\$ (320,951)	\$ (334,242)	\$ (101,110)	\$ (99,276)	\$ (163,361)
104.06%	112.27%	110.97%	112.62%	103.94%	103.97%	107.16%
\$ 1,483,394	\$ 1,398,895	\$ 1,364,599	\$ 1,258,379	\$ 1,188,982	\$ 1,118,571	\$ 1,085,627
-9.60%	-27.58%	-23.52%	-26.56%	-8.50%	-8.88%	-15.05%

Municipal Corporation of Cape Charles, Virginia

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2015 through June 30, 2024

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)
2024	\$ 117,256	\$ 117,256	\$ -	\$ 1,773,002	6.61%
2023	109,916	109,916	-	1,693,579	6.49%
2022	74,980	74,980	-	1,504,384	4.98%
2021	73,284	73,284	-	1,448,614	5.06%
2020	77,005	77,005	-	1,483,394	5.19%
2019	75,744	75,744	-	1,398,895	5.41%
2018	83,299	83,299	-	1,364,599	6.10%
2017	56,500	56,500	-	1,258,379	4.49%
2016	61,470	61,470	-	1,188,982	5.17%
2015	57,830	57,830	-	1,118,571	5.17%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Municipal Corporation of Cape Charles, Virginia

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Municipal Corporation of Cape Charles, Virginia
Schedule of Municipality's Share of Net OPEB Liability
GLI Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

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)
2023	0.00719%	\$ 86,231	\$ 1,693,579	5.09%	69.30%
2022	0.00690%	83,323	1,504,384	5.54%	67.21%
2021	0.00700%	81,732	1,448,614	5.64%	67.45%
2020	0.00730%	121,825	1,501,676	8.11%	52.64%
2019	0.00713%	116,023	1,398,895	8.29%	52.00%
2018	0.00718%	109,000	1,364,599	7.99%	51.22%
2017	0.00682%	103,000	1,258,379	8.19%	48.86%

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

Municipal Corporation of Cape Charles, Virginia
Schedule of Employer Contributions
GLI Plan
For the Years Ended June 30, 2015 through June 30, 2024

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)
2024	\$ 9,574	\$ 9,574	\$ -	\$ 1,773,002	0.54%
2023	9,145	9,145	-	1,693,579	0.54%
2022	8,124	8,124	-	1,504,384	0.54%
2021	7,823	7,823	-	1,448,614	0.54%
2020	7,809	7,809	-	1,501,676	0.52%
2019	7,274	7,274	-	1,398,895	0.52%
2018	7,096	7,096	-	1,364,599	0.52%
2017	6,544	6,544	-	1,258,379	0.52%
2016	5,707	5,707	-	1,188,982	0.48%
2015	5,369	5,369	-	1,118,571	0.48%

Municipal Corporation of Cape Charles, Virginia
Notes to Required Supplementary Information
GLI Plan
For the Year Ended June 30, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

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INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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Municipal Corporation of Cape Charles, Virginia
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 130,781	\$ 130,781	\$ 652,209	\$ (521,428)
Interest and other fiscal charges	20,327	20,327	22,611	(2,284)
Total expenditures	<u>\$ 151,108</u>	<u>\$ 151,108</u>	<u>\$ 674,820</u>	<u>\$ (523,712)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (151,108)</u>	<u>\$ (151,108)</u>	<u>\$ (674,820)</u>	<u>\$ (523,712)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 255,223	\$ 255,223	1,193,652	\$ 938,429
Transfers out	(104,115)	(104,115)	(518,832)	(414,717)
Total other financing sources and uses	<u>\$ 151,108</u>	<u>\$ 151,108</u>	<u>\$ 674,820</u>	<u>\$ 523,712</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Municipal Corporation of Cape Charles, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental:				
Commonwealth	\$ 733,483	\$ 733,483	\$ 536,473	\$ (197,010)
Federal	-	-	309,468	309,468
Total revenues	<u>\$ 733,483</u>	<u>\$ 733,483</u>	<u>\$ 845,941</u>	<u>\$ 112,458</u>
EXPENDITURES				
Capital projects	<u>\$ 1,966,063</u>	<u>\$ 2,091,595</u>	<u>\$ 922,835</u>	<u>\$ 1,168,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,232,580)</u>	<u>\$ (1,358,112)</u>	<u>\$ (76,894)</u>	<u>\$ 1,281,218</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,135,680</u>	<u>\$ 912,003</u>	<u>\$ 598,377</u>	<u>\$ (313,626)</u>
Total other financing sources and uses	<u>\$ 1,135,680</u>	<u>\$ 912,003</u>	<u>\$ 598,377</u>	<u>\$ (313,626)</u>
Net change in fund balances	<u>\$ (96,900)</u>	<u>\$ (446,109)</u>	<u>\$ 521,483</u>	<u>\$ 967,592</u>
Fund balances - beginning	<u>96,900</u>	<u>446,109</u>	<u>632,956</u>	<u>186,847</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,154,439</u></u>	<u><u>\$ 1,154,439</u></u>

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, 2024

Schedule 1
Page 1 of 3

<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>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,636,200	\$ 1,699,653	\$ 1,709,748	\$ 10,095
Personal property taxes	150,800	112,635	118,593	5,958
Machinery and tools taxes	25,000	23,299	21,553	(1,746)
Penalties and interest	16,000	16,000	33,186	17,186
Total general property taxes	<u>\$ 1,828,000</u>	<u>\$ 1,851,587</u>	<u>\$ 1,883,080</u>	<u>\$ 31,493</u>
Other local taxes:				
Local sales and use taxes	\$ 80,000	\$ 100,000	\$ 93,396	\$ (6,604)
Consumers' utility taxes	61,581	49,221	64,597	15,376
Business license taxes	295,000	412,082	357,272	(54,810)
Motor vehicle licenses	29,550	26,322	29,728	3,406
Golf cart decals	20,150	39,519	27,864	(11,655)
Admissions taxes	22,000	27,985	27,551	(434)
Short term rental tax	16,000	17,712	13,433	(4,279)
Hotel and motel room taxes	680,000	638,113	639,825	1,712
Restaurant food taxes	852,500	906,477	872,907	(33,570)
Tobacco tax	30,000	24,527	20,804	(3,723)
Penalties and interest	700	700	84	(616)
Total other local taxes	<u>\$ 2,087,481</u>	<u>\$ 2,242,658</u>	<u>\$ 2,147,461</u>	<u>\$ (95,197)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 293,050	\$ 300,822	\$ 381,178	\$ 80,356
Total permits, privilege fees, and regulatory licenses	<u>\$ 293,050</u>	<u>\$ 300,822</u>	<u>\$ 381,178</u>	<u>\$ 80,356</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 83,266	\$ 90,464	\$ 66,028	\$ (24,436)
Total fines and forfeitures	<u>\$ 83,266</u>	<u>\$ 90,464</u>	<u>\$ 66,028</u>	<u>\$ (24,436)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 44,473	\$ 65,665	\$ 301,228	\$ 235,563
Revenue from use of property	37,150	37,150	32,193	(4,957)
Total revenue from use of money and property	<u>\$ 81,623</u>	<u>\$ 102,815</u>	<u>\$ 333,421</u>	<u>\$ 230,606</u>
Charges for services:				
Charges for parks and recreation	\$ 3,900	\$ 3,900	\$ -	\$ (3,900)
Charges for DMV stops and FOIA fees	950	950	150	(800)
Charges for library	1,000	1,000	663	(337)
Total charges for services	<u>\$ 5,850</u>	<u>\$ 5,850</u>	<u>\$ 813</u>	<u>\$ (5,037)</u>
Miscellaneous:				
Miscellaneous	\$ 560,249	\$ 635,694	\$ 343,836	\$ (291,858)
Total miscellaneous	<u>\$ 560,249</u>	<u>\$ 635,694</u>	<u>\$ 343,836</u>	<u>\$ (291,858)</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Schedule 1
Page 2 of 3

<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>
General Fund: (Continued)				
Revenues from local sources: (Continued)				
Recovered costs:				
County contribution for Library	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Other recovered costs	16,670	4,170	1,257	(2,913)
Total recovered costs	<u>\$ 46,670</u>	<u>\$ 34,170</u>	<u>\$ 31,257</u>	<u>\$ (2,913)</u>
Total revenue from local sources	<u>\$ 4,986,189</u>	<u>\$ 5,264,060</u>	<u>\$ 5,187,074</u>	<u>\$ (76,986)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 31,000	\$ 30,300	\$ 30,737	\$ 437
Rolling stock tax	175	241	217	(24)
Personal property tax relief funds	35,424	35,424	35,424	-
Total noncategorical aid	<u>\$ 66,599</u>	<u>\$ 65,965</u>	<u>\$ 66,378</u>	<u>\$ 413</u>
Categorical aid:				
Other categorical aid:				
Law enforcement grant HB 599	\$ 34,356	\$ 34,356	\$ 36,134	\$ 1,778
Litter control	1,650	2,085	2,085	-
Total other categorical aid	<u>\$ 36,006</u>	<u>\$ 36,441</u>	<u>\$ 38,219</u>	<u>\$ 1,778</u>
Total categorical aid	<u>\$ 36,006</u>	<u>\$ 36,441</u>	<u>\$ 38,219</u>	<u>\$ 1,778</u>
Total revenue from the Commonwealth	<u>\$ 102,605</u>	<u>\$ 102,406</u>	<u>\$ 104,597</u>	<u>\$ 2,191</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid:				
JAG grant	\$ 6,000	\$ 6,000	\$ 2,794	\$ (3,206)
USDA	14,875	26,000	26,000	-
Total other categorical aid	<u>\$ 20,875</u>	<u>\$ 32,000</u>	<u>\$ 28,794</u>	<u>\$ (3,206)</u>
Total categorical aid	<u>\$ 20,875</u>	<u>\$ 32,000</u>	<u>\$ 28,794</u>	<u>\$ (3,206)</u>
Total revenue from the federal government	<u>\$ 20,875</u>	<u>\$ 32,000</u>	<u>\$ 28,794</u>	<u>\$ (3,206)</u>
Total General Fund	<u>\$ 5,109,669</u>	<u>\$ 5,398,466</u>	<u>\$ 5,320,465</u>	<u>\$ (78,001)</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Schedule 1
Page 3 of 3

<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>
Special Revenue Fund:				
Special Activities Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 411	\$ (5,589)
Total revenue from local sources	\$ 6,000	\$ 6,000	\$ 411	\$ (5,589)
Revenue from the Commonwealth:				
Categorical aid:				
Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Fire programs fund	15,000	15,000	15,000	-
Total categorical aid	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Total revenue from the Commonwealth	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Revenue from the federal government:				
Categorical aid:				
American Rescue Plan Act	\$ 91,000	\$ 91,000	\$ 52,059	\$ (38,941)
Total categorical aid	\$ 91,000	\$ 91,000	\$ 52,059	\$ (38,941)
Total revenue from the federal government	\$ 91,000	\$ 91,000	\$ 52,059	\$ (38,941)
Total Special Activities Fund	\$ 116,500	\$ 116,500	\$ 71,970	\$ (44,530)
Capital Projects Fund:				
General Capital Projects Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Construction funds	\$ 733,483	\$ 733,483	\$ 536,473	\$ (197,010)
Total categorical aid	\$ 733,483	\$ 733,483	\$ 536,473	\$ (197,010)
Total revenue from the Commonwealth	\$ 733,483	\$ 733,483	\$ 536,473	\$ (197,010)
Revenue from the federal government:				
Categorical aid:				
COVID-19 American Rescue Plan Act	\$ -	\$ -	\$ 309,468	\$ 309,468
Total categorical aid	\$ -	\$ -	\$ 309,468	\$ 309,468
Total revenue from the federal government	\$ -	\$ -	\$ 309,468	\$ 309,468
Total General Capital Projects Fund	\$ 733,483	\$ 733,483	\$ 845,941	\$ 112,458
Total Primary Government	\$ 5,959,652	\$ 6,248,449	\$ 6,238,376	\$ (10,073)

Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Schedule 2
Page 1 of 3

<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>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 53,233	\$ 51,944	\$ 26,258	\$ 25,686
Total legislative	\$ 53,233	\$ 51,944	\$ 26,258	\$ 25,686
General and financial administration:				
Town Clerk	\$ 124,015	\$ 125,304	\$ 94,906	\$ 30,398
Town Manager	848,521	912,742	862,032	50,710
Finance	480,419	506,969	471,355	35,614
Total general and financial administration	\$ 1,452,955	\$ 1,545,015	\$ 1,428,293	\$ 116,722
Total general government administration	\$ 1,506,188	\$ 1,596,959	\$ 1,454,551	\$ 142,408
Public safety:				
Law enforcement and traffic control:				
Police	\$ 909,713	\$ 959,298	\$ 904,662	\$ 54,636
Total law enforcement and traffic control	\$ 909,713	\$ 959,298	\$ 904,662	\$ 54,636
Inspections:				
Code enforcement	\$ 166,764	\$ 167,421	\$ 146,809	\$ 20,612
Total inspections	\$ 166,764	\$ 167,421	\$ 146,809	\$ 20,612
Total public safety	\$ 1,076,477	\$ 1,126,719	\$ 1,051,471	\$ 75,248
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 775,271	\$ 783,743	\$ 740,294	\$ 43,449
Total public works	\$ 775,271	\$ 783,743	\$ 740,294	\$ 43,449
Parks, recreation, and cultural:				
Library:				
Library administration	\$ 188,576	\$ 188,576	\$ 179,409	\$ 9,167
Total library	\$ 188,576	\$ 188,576	\$ 179,409	\$ 9,167
Total parks, recreation, and cultural	\$ 188,576	\$ 188,576	\$ 179,409	\$ 9,167

Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Schedule 2
Page 2 of 3

<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>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 367,544	\$ 367,544	\$ 216,664	\$ 150,880
Total planning and community development	\$ 367,544	\$ 367,544	\$ 216,664	\$ 150,880
Total community development	\$ 367,544	\$ 367,544	\$ 216,664	\$ 150,880
Debt service:				
Principal retirement	\$ -	\$ -	\$ 7,203	\$ (7,203)
Interest and other fiscal charges	-	-	996	(996)
Total debt service	\$ -	\$ -	\$ 8,199	\$ (8,199)
Total General Fund	\$ 3,914,056	\$ 4,063,541	\$ 3,650,588	\$ 412,953
Special Revenue Fund:				
Special Activities Fund:				
Public Safety:				
Fire and rescue services:				
Fire department	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, Recreation and Cultrual:				
Parks and recreation:				
Arts Enter program	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Total parks and recreation	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Library:				
Friends fo the Library	\$ 6,000	\$ 6,000	\$ 2,367	\$ 3,633
Total parks, recreation and cultural	\$ 10,500	\$ 10,500	\$ 6,867	\$ 3,633
Community Development:				
Planning and community development:				
ARPA grant expenditures	\$ 91,000	\$ 91,000	\$ 91,069	\$ (69)
Total community development	\$ 91,000	\$ 91,000	\$ 91,069	\$ (69)
Total Special Activities Fund	\$ 116,500	\$ 116,500	\$ 112,936	\$ 3,564

Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Schedule 2
Page 3 of 3

<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>
Debt Service Fund:				
General Debt Service Fund:				
Debt service:				
Principal retirement	\$ 130,781	\$ 130,781	\$ 652,209	\$ (521,428)
Interest and other fiscal charges	20,327	20,327	22,611	(2,284)
Total General Debt Service Fund	<u>\$ 151,108</u>	<u>\$ 151,108</u>	<u>\$ 674,820</u>	<u>\$ (523,712)</u>
Capital Projects Fund:				
General Capital Projects Fund:				
Capital projects expenditures:				
Buildings and improvement	\$ 995,000	\$ 995,000	\$ 111,024	\$ 883,976
Streets and walkways	929,922	1,055,454	811,811	243,643
Contingencies	41,141	41,141	-	41,141
Total Capital Projects Fund	<u>\$ 1,966,063</u>	<u>\$ 2,091,595</u>	<u>\$ 922,835</u>	<u>\$ 1,168,760</u>
Total Primary Government	<u>\$ 6,147,727</u>	<u>\$ 6,422,744</u>	<u>\$ 5,361,179</u>	<u>\$ 1,061,565</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
2015	\$ 702,411	\$ 423,254	\$ 483,605	\$ 284,537	\$ 53,261	\$ 51,195	\$ 2,919,126	\$ 4,917,389
2016	779,857	459,190	439,968	324,326	70,414	55,195	2,844,926	4,973,876
2017	780,254	529,272	462,247	500,987	103,487	38,410	2,714,842	5,129,499
2018	738,396	553,014	395,642	369,738	124,041	33,079	2,847,692	5,061,602
2019	976,567	580,426	520,472	288,379	63,934	31,954	2,941,117	5,402,849
2020	1,060,616	552,590	568,051	389,251	61,464	29,333	2,863,923	5,525,228
2021	1,561,687	658,500	552,730	373,047	121,252	25,278	3,067,935	6,360,429
2022	952,855	640,839	617,350	381,941	806,835	16,979	3,211,494	6,628,293
2023	1,279,860	818,082	744,797	306,925	283,613	22,468	3,944,635	7,400,380
2024	1,504,838	874,738	697,154	198,865	296,311	23,607	3,373,345	6,968,858

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from use of Money	Gain/(loss) on disposal of Operations	Miscellaneous(1)	Grants and Contributions Not Restricted to Specific Programs	Total
2015	\$ 2,575,616	\$ 61,049	\$ 116,255	\$ 1,250,336	\$ 584,799	\$ 13,962	\$ -	\$ 140,605	\$ 82,429	\$ 4,825,051
2016	2,516,334	84,851	859,789	1,352,474	657,466	30,779	-	867,091	81,037	6,449,821
2017	2,403,055	85,752	880,798	1,262,771	704,156	39,320	-	179,590	100,420	5,655,862
2018	2,450,788	73,080	216,815	1,397,163	791,977	63,242	-	410,475	83,027	5,486,567
2019	2,639,895	44,576	590,270	1,452,790	925,834	74,332	-	920,322	86,414	6,734,433
2020	2,680,536	47,489	253,439	1,379,090	877,759	52,700	-	391,250	74,508	5,756,771
2021	3,256,174	59,127	236,781	1,510,056	1,218,900	34,585	-	676,339	792,372	7,784,334
2022	3,498,764	609,668	78,754	1,749,595	1,569,161	38,584	-	758,460	69,114	8,372,100
2023	3,595,957	75,659	1,110,281	1,821,640	1,961,575	245,014	-	22,935	68,327	8,901,388
2024	3,255,355	448,040	894,067	1,934,275	2,147,461	507,236	(5,197,178)	344,367	295,065	4,628,688

Notes:

(1) Includes gain on disposal of capital assets.

Table 3

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2015	\$ 710,293	\$ 416,577	\$ 488,941	\$ 170,270	\$ 57,293	\$ 136,819	\$ 1,980,193
2016	826,293	488,694	430,037	180,502	71,111	136,248	2,132,885
2017	804,763	532,415	493,580	211,061	103,770	1,060,008	3,205,597
2018	784,488	558,109	470,739	220,145	128,091	167,188	2,328,760
2019	929,438	586,918	475,210	246,550	67,050	150,561	2,455,727
2020	1,031,022	546,341	497,770	265,506	64,566	153,856	2,559,061
2021	1,569,936	653,183	585,624	241,603	117,151	150,668	3,318,165
2022	924,699	723,355	569,992	278,045	813,743	171,617	3,481,451
2023	1,245,601	759,864	756,860	185,499	280,142	151,578	3,379,544
2024	1,454,551	1,066,471	740,294	186,276	307,733	683,019	4,438,344

(1) Does not include capital project expenditures.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2015	\$ 1,308,036	\$ 584,799	\$ 79,022	\$ 17,193	\$ 13,762	\$ 2,504	\$ 3,758	\$ 24,368	\$ 244,733	\$ 2,278,175
2016	1,302,263	657,466	100,313	7,134	30,331	5,090	34,741	33,204	299,616	2,470,158
2017	1,306,460	704,156	62,835	5,034	38,138	7,070	5,695	22,426	1,033,188	3,185,002
2018	1,425,966	791,977	101,618	19,277	59,236	5,125	18,321	33,297	351,324	2,806,141
2019	1,408,353	925,834	124,531	10,271	66,585	3,827	19,731	28,103	492,725	3,079,960
2020	1,470,997	877,759	162,040	9,036	47,089	3,172	18,907	20,457	123,225	2,732,682
2021	1,519,701	1,218,900	250,254	52,373	33,986	6,455	3,440	85,994	1,077,694	4,248,797
2022	1,795,175	1,569,161	325,749	56,740	36,200	425	15,989	150,800	675,349	4,625,588
2023	1,787,303	1,961,575	367,260	96,547	128,118	4,680	22,606	60,831	590,805	5,019,725
2024	1,883,080	2,147,461	381,178	66,028	333,421	813	344,247	31,257	1,050,891	6,238,376

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
2015	\$ 1,274,119	\$ 1,192,349	93.58%	\$ 91,392	\$ 1,283,741	100.76%	\$ 147,959	11.61%
2016	1,304,355	1,212,623	92.97%	56,558	1,269,181	97.30%	210,947	16.17%
2017	1,307,990	1,210,464	92.54%	56,477	1,266,941	96.86%	170,484	13.03%
2018	1,354,254	1,319,862	97.46%	82,403	1,402,265	103.55%	133,957	9.89%
2019	1,385,027	1,365,349	98.58%	53,176	1,418,525	102.42%	120,174	8.68%
2020	1,441,927	1,405,053	97.44%	67,313	1,472,366	102.11%	118,703	8.23%
2021	1,516,579	1,426,493	94.06%	50,925	1,477,418	97.42%	120,825	7.97%
2022	1,869,309	1,781,924	95.33%	28,858	1,810,782	96.87%	118,815	6.36%
2023	1,768,091	1,759,423	99.51%	37,087	1,796,510	101.61%	118,990	6.73%
2024	1,867,966	1,856,513	99.39%	28,805	1,885,318	100.93%	141,804	7.59%

(1) Exclusive of penalties and interest

Table 6

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

Fiscal Year	Real Estate (1)		Personal Property		Mobile Homes		Public Utility	Total
							Real Estate (2)	
2015	\$	404,822,056	\$	11,393,551	\$	8,300	\$ 3,631,182	\$ 419,855,089
2016		410,160,956		12,104,739		3,500	3,705,047	425,974,242
2017		354,182,650		10,873,870		3,300	3,606,095	368,665,915
2018		355,837,200		12,203,520		-	3,651,067	371,691,787
2019		405,269,300		11,945,520		-	3,844,675	421,059,495
2020		421,169,400		12,526,920		-	3,672,005	437,368,325
2021		471,702,900		13,879,300		-	3,796,381	489,378,581
2022		486,479,500		21,662,020		-	3,702,099	511,843,619
2023		753,722,910		19,698,145		-	4,074,010	777,495,065
2024		804,736,700		21,356,075		1,700	3,384,443	829,478,918

(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
2015	\$	0.2759	\$	2.00	\$	0.2759	\$ 0.2759
2016		0.2759		2.00		0.2759	0.2759
2017		0.3260		2.00		0.3260	0.3260
2018		0.3260		2.00		-	0.3260
2019		0.2945		2.00		-	0.2945
2020		0.2945		2.00		-	0.2945
2021		0.2731		2.00		-	0.2731
2022		0.3143		2.00		-	0.3143
2023		0.2159		1.00		-	0.2159
2024		0.2159		1.00		1.00	0.2159

(1) Per \$100 of assessed value.

Table 8

Municipal Corporation of Cape Charles, Virginia
Computation of Legal Debt Margin
At June 30, 2024

Assessed value of real property, January 1, 2024 (1)	<u>\$ 808,121,143</u>
Debt limit: 10% of assessed value	<u>\$ 80,812,114</u>
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 85,371
Less: Notes secured by property	<u>(85,371)</u>
Net general obligation bonds and notes	<u>\$ -</u>
Legal debt limit	<u>\$ 80,812,114</u>

(1) Assessed value of real property, including public service corporations
as of January 1, 2024

(2) Includes bonded debt and long-term notes payable.

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) (4)	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 (5)			
2015	1,009	\$ 419,855,089	\$ 9,611,950	\$ -	\$ 8,384,203	\$ 1,227,747	0.29%	\$ 1,217
2016	1,009	425,974,242	9,116,776	-	7,960,552	1,156,224	0.27%	1,146
2017	1,009	368,665,915	8,642,601	-	7,630,508	1,012,093	0.27%	1,003
2018	1,009	371,691,787	8,085,427	-	6,981,046	1,104,381	0.30%	1,095
2019	1,009	421,059,495	7,525,255	-	6,512,342	1,012,913	0.24%	1,004
2020	1,178	437,368,325	6,958,082	-	6,037,234	920,848	0.21%	782
2021	1,178	489,378,581	6,382,908	-	5,556,444	826,464	0.17%	702
2022	1,178	511,843,619	5,798,735	-	5,069,617	729,118	0.14%	619
2023	1,178	777,495,065	5,205,073	-	4,575,855	629,218	0.08%	534
2024	1,178	829,478,918	-	-	-	-	0.00%	-

(1) United States Census Bureau, Census

(2) From Table 6.

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

(4) The Town sold the water and sewer system, including the assets and liabilities, in FY2024.

(5) 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***

**To the Honorable Members of the Municipal Corp. Council
Municipal Corporation of Cape Charles, Virginia
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, 2024, 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 May 2, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Municipal Corporation of Cape Charles' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Municipal Corporation of Cape Charles, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Municipal Corporation of Cape Charles, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Robinson, Fournier, Cox Associates

Richmond, Virginia
May 2, 2025

Municipal Corporation of Cape Charles, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>✓</u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u>✓</u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u>✓</u> no

Section II-Financial Statement Findings

Finding: 2024-001 (Material Weakness):

Material Weakness for Fraudulent Credit Card Transactions

Finding: We identified a material weakness in the Municipal Corporation's internal control over financial reporting related to the detection and prevention of fraudulent credit card transactions.

Criteria: Effective internal controls should be in place to ensure the timely detection and prevention of fraudulent credit card transactions. This includes robust monitoring systems, regular reconciliation of transactions, and stringent verification processes.

Condition: The Town's current systems and processes failed to detect and prevent multiple instances of fraudulent credit card transactions. Specifically, there were significant delays in identifying unauthorized transactions, and the existing verification processes were insufficient to prevent these transactions from being processed.

Cause: The material weakness was primarily due to inadequate monitoring systems and a lack of comprehensive fraud detection mechanisms. Additionally, there was a deficiency in staff training regarding the identification and handling of suspicious transactions.

Effect: There is a heightened risk of material misstatement in the financial statements due to undetected fraudulent transactions. This could lead to significant financial losses.

Recommendation: We recommend the following actions: Strengthen verification process to determine the legitimacy of vendors, conduct a thorough review of the supporting invoices/receipts and provide comprehensive training for staff on recognizing and responding to potential fraud indicators.

Management's Response: Management acknowledges the finding and is committed to implementing the recommended actions. A detailed action plan will be developed and executed to enhance internal controls over credit card transactions and mitigate the risk of fraud.