

MUNICIPAL CORPORATION
OF
CAPE CHARLES, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Municipal Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Municipal Corporation of Cape Charles, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-8, 55, and 56-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020, on our consideration of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
March 10, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Municipal Corporation of Cape Charles, Virginia (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28,784,503 (net position).

Fund Financial Statements

The General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses by \$1,003,705 (Exhibit 5).

- < As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$3,872,286, an increase of \$1,003,705 in comparison with the prior year.
- < The combined long-term obligations decreased \$543,355 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,704,503 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Position:

Municipal Corporation of Cape Charles, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,480,578	\$ 3,655,934	\$ 902,332	\$ 844,199	\$ 5,382,910	\$ 4,500,133
Capital assets	5,636,985	5,577,511	27,007,110	26,728,287	32,644,095	32,305,798
Total assets	\$ 10,117,563	\$ 9,233,445	\$ 27,909,442	\$ 27,572,486	\$ 38,027,005	\$ 36,805,931
Deferred outflows of resources:						
Pension related items	\$ 49,234	\$ 54,878	\$ 26,510	\$ 29,550	\$ 75,744	\$ 84,428
OPEB related items	11,228	4,612	6,046	2,484	17,274	7,096
Total deferred outflows of resources	\$ 60,462	\$ 59,490	\$ 32,556	\$ 32,034	\$ 93,018	\$ 91,524
Current liabilities	\$ 246,600	\$ 451,186	\$ 1,121,082	\$ 411,687	\$ 1,367,682	\$ 862,873
Long-term liabilities outstanding	1,258,657	1,333,950	6,588,216	7,056,278	7,846,873	8,390,228
Total liabilities	\$ 1,505,257	\$ 1,785,136	\$ 7,709,298	\$ 7,467,965	\$ 9,214,555	\$ 9,253,101
Deferred inflows of resources:						
Deferred revenue - prepaid taxes	\$ 3,324	\$ 14,146	\$ -	\$ -	\$ 3,324	\$ 14,146
Pension related items	69,967	108,088	37,674	58,201	107,641	166,289
OPEB related items	6,500	7,150	3,500	3,850	10,000	11,000
Total deferred inflows of resources	\$ 79,791	\$ 129,384	\$ 41,174	\$ 62,051	\$ 120,965	\$ 191,435
Net position:						
Net investment in capital assets	\$ 4,528,729	\$ 4,374,196	\$ 20,494,768	\$ 19,747,241	\$ 25,023,497	\$ 24,121,437
Restricted:						
Debt covenants	-	-	258,458	257,867	258,458	257,867
Unspent bond proceeds	583,685	874,074	-	-	583,685	874,074
Unrestricted	3,480,563	2,130,145	(561,700)	69,396	2,918,863	2,199,541
Total net position	\$ 8,592,977	\$ 7,378,415	\$ 20,191,526	\$ 20,074,504	\$ 28,784,503	\$ 27,452,919

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$1,331,584. The following table summarizes the Town's Statement of Activities:

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 138,629	\$ 126,020	\$ 2,501,266	\$ 2,324,768	\$ 2,639,895	\$ 2,450,788
Operating grants and contributions	44,576	51,482	-	21,598	44,576	73,080
Capital grants and contributions	361,735	216,815	228,535	-	590,270	216,815
General revenues:						
General property taxes	1,452,790	1,397,163	-	-	1,452,790	1,397,163
Other local taxes	925,834	791,977	-	-	925,834	791,977
Grants and other contributions not restricted	86,414	83,027	-	-	86,414	83,027
Other general revenues	86,316	117,597	328,338	356,120	414,654	473,717
Gain on disposal of capital assets	580,000	-	-	-	580,000	-
Total revenues	\$ 3,676,294	\$ 2,784,081	\$ 3,058,139	\$ 2,702,486	\$ 6,734,433	\$ 5,486,567
Expenses:						
General government administration						
	\$ 976,567	\$ 738,396	\$ -	\$ -	\$ 976,567	\$ 738,396
Public safety	580,426	553,014	-	-	580,426	553,014
Public works	520,472	395,642	-	-	520,472	395,642
Parks, recreation, and cultural	288,379	369,738	-	-	288,379	369,738
Community development	63,934	124,041	-	-	63,934	124,041
Interest and other fiscal charges	31,954	33,079	-	-	31,954	33,079
Enterprise funds	-	-	2,941,117	2,847,692	2,941,117	2,847,692
Total expenses	\$ 2,461,732	\$ 2,213,910	\$ 2,941,117	\$ 2,847,692	\$ 5,402,849	\$ 5,061,602
Change in net position	\$ 1,214,562	\$ 570,171	\$ 117,022	\$ (145,206)	\$ 1,331,584	\$ 424,965
Beginning of year	7,378,415	6,808,244	20,074,504	20,219,710	27,452,919	27,027,954
End of year	\$ 8,592,977	\$ 7,378,415	\$ 20,191,526	\$ 20,074,504	\$ 28,784,503	\$ 27,452,919

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported a fund balance of \$3,872,286, an increase of \$1,003,705 in comparison with the prior year. \$3,288,318 of June 30, 2019 fund balance was unassigned.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to (\$561,700). Total net position increased \$117,022.

General Fund Budgetary Highlights

During the year, actual revenues and other sources were less than budgetary estimates by \$346,149. Actual expenditures and other uses were less than budgetary estimates by \$1,570,502, resulting in a positive variance of \$1,224,353.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities and business type activities as of June 30, 2019 amounts to \$5,636,985 and \$27,007,110, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$7,846,873. Of this amount, \$7,525,255 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents amounts secured solely by specific property or specified revenue sources (notes payable).

During the current fiscal year, the Town's total debt outstanding decreased by \$543,355.

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

Next Year's Budgets

The fiscal year 2020 budget decreased by approximately 3%.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Municipal Corporation of Cape Charles, Virginia
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,688,425	\$ 600	\$ 2,689,025
Investments	328,925	102,398	431,323
Receivables (net of allowance for uncollectibles):			
Taxes receivable	178,832	-	178,832
Accounts receivable	112,479	212,330	324,809
Due from other governmental units	379,330	194,660	573,990
Inventories	-	21,553	21,553
Prepaid items	284	-	284
Net pension asset	208,618	112,333	320,951
Restricted assets:			
Investments - bond requirements	-	258,458	258,458
Investments - unspent bond proceeds	583,685	-	583,685
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,165,460	-	2,165,460
Buildings and improvements	832,354	195,452	1,027,806
Improvements other than buildings	-	4,671,437	4,671,437
Water and sewer system	-	21,913,552	21,913,552
Machinery and equipment	244,412	161,930	406,342
Infrastructure	616,408	-	616,408
Construction in progress	1,778,351	64,739	1,843,090
Total assets	<u>\$ 10,117,563</u>	<u>\$ 27,909,442</u>	<u>\$ 38,027,005</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 49,234	\$ 26,510	\$ 75,744
OPEB related items	11,228	6,046	17,274
Total deferred outflows of resources	<u>\$ 60,462</u>	<u>\$ 32,556</u>	<u>\$ 93,018</u>
LIABILITIES			
Accounts payable	\$ 172,288	\$ 170,343	\$ 342,631
Accrued liabilities	62,942	17,961	80,903
Reconciled overdraft payable	-	637,805	637,805
Customers' deposits	-	10,850	10,850
Accrued interest payable	11,370	40,118	51,488
Unearned revenue	-	244,005	244,005
Long-term liabilities:			
Due within one year	131,637	478,881	610,518
Due in more than one year	1,127,020	6,109,335	7,236,355
Total liabilities	<u>\$ 1,505,257</u>	<u>\$ 7,709,298</u>	<u>\$ 9,214,555</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 69,967	\$ 37,674	\$ 107,641
OPEB related items	6,500	3,500	10,000
Deferred revenue - property taxes	3,324	-	3,324
Total deferred inflows of resources	<u>\$ 79,791</u>	<u>\$ 41,174</u>	<u>\$ 120,965</u>
NET POSITION			
Net investment in capital assets	\$ 4,528,729	\$ 20,494,768	\$ 25,023,497
Restricted:			
Debt service and bond covenants	-	258,458	258,458
Unspent bond proceeds	583,685	-	583,685
Unrestricted	3,480,563	(561,700)	2,918,863
Total net position	<u>\$ 8,592,977</u>	<u>\$ 20,191,526</u>	<u>\$ 28,784,503</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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Total	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 976,567	\$ 1,622	\$ -	\$ -	\$ (974,945)	\$ -	\$ (974,945)
Public safety	580,426	136,027	40,076	-	(404,323)	-	(404,323)
Public works	520,472	-	-	361,735	(158,737)	-	(158,737)
Parks, recreation, and cultural	288,379	980	4,500	-	(282,899)	-	(282,899)
Community development	63,934	-	-	-	(63,934)	-	(63,934)
Interest on long-term debt	31,954	-	-	-	(31,954)	-	(31,954)
Total governmental activities	\$ 2,461,732	\$ 138,629	\$ 44,576	\$ 361,735	\$ (1,916,792)	\$ -	\$ (1,916,792)
Business-type activities:							
Water and Sewer Harbor	\$ 1,787,755	\$ 1,592,399	\$ -	\$ -	\$ -	\$ (195,356)	\$ (195,356)
Sanitation	953,035	710,727	-	228,535	-	(13,773)	(13,773)
	200,327	198,140	-	-	-	(2,187)	(2,187)
Total business-type activities	\$ 2,941,117	\$ 2,501,266	\$ -	\$ 228,535	\$ -	\$ (211,316)	\$ (211,316)
Total primary government	\$ 5,402,849	\$ 2,639,895	\$ 44,576	\$ 590,270	\$ (1,916,792)	\$ (211,316)	\$ (2,128,108)
General revenues:							
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,452,790	\$ -	\$ 1,452,790
Restaurant food taxes	-	-	-	-	465,283	-	465,283
Business license taxes	-	-	-	-	139,304	-	139,304
Other local taxes	-	-	-	-	321,247	-	321,247
Unrestricted revenues from use of money and property	-	-	-	-	66,585	7,747	74,332
Miscellaneous	-	-	-	-	19,731	320,591	340,322
Grants and contributions not restricted to specific programs	-	-	-	-	86,414	-	86,414
Gain on disposal of capital assets	-	-	-	-	580,000	-	580,000
Total general revenues	\$ -	\$ -	\$ -	\$ -	\$ 3,131,354	\$ 328,338	\$ 3,459,692
Change in net position	\$ -	\$ -	\$ -	\$ -	\$ 1,214,562	\$ 117,022	\$ 1,331,584
Net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ 7,378,415	\$ 20,074,504	\$ 27,452,919
Net position - ending	\$ -	\$ -	\$ -	\$ -	\$ 8,592,977	\$ 20,191,526	\$ 28,784,503

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

FUND FINANCIAL STATEMENTS

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Municipal Corporation of Cape Charles, Virginia
Balance Sheet
Governmental Fund
June 30, 2019

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,688,425
Investments	328,925
Receivables:	
Taxes receivable	178,832
Accounts receivable	112,479
Due from other governmental units	379,330
Prepaid items	284
Restricted assets:	
Cash and cash equivalents - unspent bond proceeds	583,685
Total assets	<u>\$ 4,271,960</u>
LIABILITIES	
Accounts payable	\$ 172,288
Accrued liabilities	62,942
Total liabilities	<u>\$ 235,230</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>\$ 164,444</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	\$ 284
Restricted:	
Unspent bond proceeds	583,685
Unassigned	3,288,317
Total fund balance	<u>\$ 3,872,286</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,271,960</u>

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

Municipal Corporation of Cape Charles, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Position
 June 30, 2019

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund		\$	3,872,286
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets		\$	9,756,122
Accumulated depreciation			<u>(4,119,137)</u>
			5,636,985
The net pension asset is not an available resource and, therefore, is not reported in the funds.			
			208,618
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.			
Unavailable property taxes			161,120
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.			
Pension related items		\$	49,234
OPEB related items			<u>11,228</u>
			60,462
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		\$	(1,108,256)
Net OPEB liability			(70,850)
Compensated absences			(79,551)
Accrued interest payable			<u>(11,370)</u>
			(1,270,027)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$	(69,967)
OPEB related items			<u>(6,500)</u>
			(76,467)
Net position of governmental activities			<u><u>\$ 8,592,977</u></u>

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

Municipal Corporation of Cape Charles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	<u>General</u>
REVENUES	
General property taxes	\$ 1,408,353
Other local taxes	925,834
Permits, privilege fees, and regulatory licenses	124,531
Fines and forfeitures	10,271
Revenue from the use of money and property	66,585
Charges for services	3,827
Miscellaneous	19,731
Recovered costs	28,103
Intergovernmental:	
Commonwealth	119,990
Federal	372,735
Total revenues	<u>\$ 3,079,960</u>
EXPENDITURES	
Current:	
General government administration	\$ 929,438
Public safety - police department	444,665
Public safety - code enforcement	142,253
Public works	475,210
Parks, recreation, and cultural	246,550
Community development	67,050
Capital projects	223,528
Debt service:	
Principal retirement	118,059
Interest and other fiscal charges	32,502
Total expenditures	<u>\$ 2,679,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 400,705</u>
OTHER FINANCING SOURCES (USES)	
Issuance of notes payable	\$ 23,000
Sale of capital assets	580,000
Total other financing sources (uses)	<u>\$ 603,000</u>
Net change in fund balance	\$ 1,003,705
Fund balance - beginning	2,868,581
Fund balance - ending	<u>\$ 3,872,286</u>

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

Municipal Corporation of Cape Charles, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balance - total governmental fund \$ 1,003,705

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

Capital asset additions	\$ 253,526	
Depreciation expense	(194,051)	59,475

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		44,437
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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	\$ 91,468	
Principal retirement on notes payable	26,591	
Issuance of notes payable	(23,000)	95,059

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	\$ (15,866)	
OPEB expense	3,366	
Pension expense	23,838	
(Increase) decrease in accrued interest payable	548	11,886

Change in net position of governmental activities		\$ 1,214,562
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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, 2019

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,230,285	\$ 500	\$ 279,742	\$ 1,510,527
Investments	102,398	-	-	102,398
Accounts receivable, net of allowance for uncollectibles	146,040	48,325	17,965	212,330
Due from other governmental units	-	194,660	-	194,660
Inventories	-	21,553	-	21,553
Total current assets	<u>\$ 1,478,723</u>	<u>\$ 265,038</u>	<u>\$ 297,707</u>	<u>\$ 2,041,468</u>
Noncurrent assets:				
Net pension asset	<u>\$ 80,238</u>	<u>\$ 32,095</u>	<u>\$ -</u>	<u>\$ 112,333</u>
Restricted assets:				
Investments - bond requirements	<u>\$ 258,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,458</u>
Total restricted assets	<u>\$ 258,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,458</u>
Capital assets (net of accumulated depreciation):				
Water and sewer system	<u>\$ 21,913,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,913,552</u>
Buildings and improvements	-	195,452	-	195,452
Improvements other than buildings	-	4,671,437	-	4,671,437
Machinery and equipment	119,418	42,512	-	161,930
Construction in progress	8,345	56,394	-	64,739
Total capital assets	<u>\$ 22,041,315</u>	<u>\$ 4,965,795</u>	<u>\$ -</u>	<u>\$ 27,007,110</u>
Total noncurrent assets	<u>\$ 22,380,011</u>	<u>\$ 4,997,890</u>	<u>\$ -</u>	<u>\$ 27,377,901</u>
Total assets	<u>\$ 23,858,734</u>	<u>\$ 5,262,928</u>	<u>\$ 297,707</u>	<u>\$ 29,419,369</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	<u>\$ 18,936</u>	<u>\$ 7,574</u>	<u>\$ -</u>	<u>\$ 26,510</u>
OPEB related items	4,319	1,727	-	6,046
Total deferred outflows of resources	<u>\$ 23,255</u>	<u>\$ 9,301</u>	<u>\$ -</u>	<u>\$ 32,556</u>
LIABILITIES				
Current liabilities:				
Accounts payable	<u>\$ 43,015</u>	<u>\$ 110,035</u>	<u>\$ 17,293</u>	<u>\$ 170,343</u>
Accrued liabilities	10,062	7,899	-	17,961
Reconciled overdraft payable	-	2,147,732	-	2,147,732
Interest payable	28,401	11,717	-	40,118
Unearned revenue	221,034	22,971	-	244,005
Customer deposits payable	10,850	-	-	10,850
Bonds payable - current portion	401,666	73,443	-	475,109
Compensated absences - current portion	3,087	685	-	3,772
Total current liabilities	<u>\$ 718,115</u>	<u>\$ 2,374,482</u>	<u>\$ 17,293</u>	<u>\$ 3,109,890</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	<u>\$ 5,239,693</u>	<u>\$ 797,540</u>	<u>\$ -</u>	<u>\$ 6,037,233</u>
Compensated absences - net of current portion	27,785	6,167	-	33,952
Net OPEB liability	27,250	10,900	-	38,150
Total noncurrent liabilities	<u>\$ 5,294,728</u>	<u>\$ 814,607</u>	<u>\$ -</u>	<u>\$ 6,109,335</u>
Total liabilities	<u>\$ 6,012,843</u>	<u>\$ 3,189,089</u>	<u>\$ 17,293</u>	<u>\$ 9,219,225</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	<u>\$ 26,910</u>	<u>\$ 10,764</u>	<u>\$ -</u>	<u>\$ 37,674</u>
OPEB related items	2,500	1,000	-	3,500
Total deferred inflows of resources	<u>\$ 29,410</u>	<u>\$ 11,764</u>	<u>\$ -</u>	<u>\$ 41,174</u>
NET POSITION				
Net investment in capital assets	<u>\$ 16,399,956</u>	<u>\$ 4,094,812</u>	<u>\$ -</u>	<u>\$ 20,494,768</u>
Restricted for debt service and bond covenants	258,458	-	-	258,458
Unrestricted	1,181,322	(2,023,436)	280,414	(561,700)
Total net position	<u>\$ 17,839,736</u>	<u>\$ 2,071,376</u>	<u>\$ 280,414</u>	<u>\$ 20,191,526</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, 2019

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 532,953	\$ -	\$ -	\$ 532,953
Sewer	1,050,175	-	-	1,050,175
Harbor fees	-	282,292	-	282,292
Penalties	7,501	12	932	8,445
Refuse collection	-	-	197,208	197,208
Fuel and oil sales	-	414,883	-	414,883
Other revenues	1,770	13,540	-	15,310
Miscellaneous	640	3,083	-	3,723
Total operating revenues	<u>\$ 1,593,039</u>	<u>\$ 713,810</u>	<u>\$ 198,140</u>	<u>\$ 2,504,989</u>
OPERATING EXPENSES				
Personnel services	\$ 408,483	\$ 149,014	\$ -	\$ 557,497
Fringe benefits	119,389	37,207	-	156,596
Contractual services	112,507	29,827	199,147	341,481
Other supplies and expenses	402,932	459,583	1,180	863,695
Depreciation	673,189	247,246	-	920,435
Total operating expenses	<u>\$ 1,716,500</u>	<u>\$ 922,877</u>	<u>\$ 200,327</u>	<u>\$ 2,839,704</u>
Operating income (loss)	<u>\$ (123,461)</u>	<u>\$ (209,067)</u>	<u>\$ (2,187)</u>	<u>\$ (334,715)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 7,747	\$ -	\$ -	\$ 7,747
Connection fees	45,405	-	-	45,405
Facility fees	271,463	-	-	271,463
Interest and fiscal charges	(71,255)	(30,158)	-	(101,413)
Total nonoperating revenues (expenses)	<u>\$ 253,360</u>	<u>\$ (30,158)</u>	<u>\$ -</u>	<u>\$ 223,202</u>
Income (loss) before contributions and construction grants	<u>\$ 129,899</u>	<u>\$ (239,225)</u>	<u>\$ (2,187)</u>	<u>\$ (111,513)</u>
Capital contributions and construction grants:				
Commonwealth	-	228,535	-	228,535
Change in net position	<u>\$ 129,899</u>	<u>\$ (10,690)</u>	<u>\$ (2,187)</u>	<u>\$ 117,022</u>
Total net position - beginning	17,709,837	2,082,066	282,601	20,074,504
Total net position - ending	<u>\$ 17,839,736</u>	<u>\$ 2,071,376</u>	<u>\$ 280,414</u>	<u>\$ 20,191,526</u>

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

Municipal Corporation of Cape Charles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Water and <u>Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,589,557	\$ 741,583	\$ 196,341	\$ 2,527,481
Payments for operating expenses	(121,948)	629,724	76,917	584,693
Payments to employees	(539,018)	(191,180)	-	(730,198)
Net cash provided by (used for) operating activities	<u>\$ 928,591</u>	<u>\$ 1,180,127</u>	<u>\$ 273,258</u>	<u>\$ 2,381,976</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (88,262)	\$ (1,110,996)	\$ -	\$ (1,199,258)
Principal payments on bonds	(397,097)	(71,607)	-	(468,704)
Connection fees	35,359	-	-	35,359
Facility fees	271,463	-	-	271,463
Capital grants	-	33,875	-	33,875
Interest payments	(73,312)	(30,899)	-	(104,211)
Net cash provided by (used for) capital and related financing activities	<u>\$ (251,849)</u>	<u>\$ (1,179,627)</u>	<u>\$ -</u>	<u>\$ (1,431,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 4,734	\$ -	\$ -	\$ 4,734
Net cash provided by (used for) investing activities	<u>\$ 4,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,734</u>
Net increase (decrease) in cash and cash equivalents	\$ 681,476	\$ 500	\$ 273,258	\$ 955,234
Cash and cash equivalents - beginning	548,809	-	6,484	555,293
Cash and cash equivalents - ending	<u>\$ 1,230,285</u>	<u>\$ 500</u>	<u>\$ 279,742</u>	<u>\$ 1,510,527</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (123,461)	\$ (209,067)	\$ (2,187)	\$ (334,715)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 673,189	\$ 247,246	\$ -	\$ 920,435
(Increase) decrease in accounts receivable	(2,455)	15,516	(1,799)	11,262
(Increase) decrease in deferred outflows of resources	(374)	(148)	-	(522)
Increase (decrease) in deferred inflows of resources	(14,912)	(5,965)	-	(20,877)
(Increase) decrease in net pension asset	3,323	1,329	-	4,652
Increase (decrease) in net OPEB liability	1,500	600	-	2,100
(Increase) decrease in due from other funds	436,333	60,532	276,060	772,925
Increase (decrease) in due to other funds	(60,549)	(947,171)	(160)	(1,007,880)
(Increase) decrease in inventories	-	(12,902)	-	(12,902)
Increase (decrease) in customer deposits	(1,027)	-	-	(1,027)
Increase (decrease) in accounts payable	20,549	52,528	1,344	74,421
Increase (decrease) in unearned revenue	-	12,257	-	12,257
Increase (decrease) in accrued liabilities	(2,842)	1,626	-	(1,216)
Increase (decrease) in compensated absences	(683)	(775)	-	(1,458)
Increase (decrease) in reconciled overdraft payable	-	1,964,521	-	1,964,521
Total adjustments	<u>\$ 1,052,052</u>	<u>\$ 1,389,194</u>	<u>\$ 275,445</u>	<u>\$ 2,716,691</u>
Net cash provided by (used for) operating activities	<u>\$ 928,591</u>	<u>\$ 1,180,127</u>	<u>\$ 273,258</u>	<u>\$ 2,381,976</u>

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

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2019

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 Statement

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units. The Municipal Corp. has no blended component units at June 30, 2019.

Discretely Presented Component Units. - The Municipal Corp. has no discretely presented component units at June 30, 2019.

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

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

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

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

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

1. Governmental Funds

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

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

2. Proprietary Funds

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

Enterprise Funds

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

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Municipal Corp.

E. Investments

The money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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).

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

G. Receivables and Payables (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Municipal Corp. calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible utility billing, sanitation billing and harbor billing amounted to \$81,954, \$9,685, and \$39,863, respectively, at June 30, 2019. The allowance for uncollectible property taxes was \$15,000 at June 30, 2019.

Real and Personal Property Tax Data:

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

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

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ended June 30, 2019.

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

H. Capital Assets (Continued)

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

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

I. Compensated Absences

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

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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.

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

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

O. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. 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.

Q. 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;

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

Q. Fund Balance (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

R. Deferred Outflows/Inflows of Resources

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

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

Note 2 – Stewardship, Compliance, and Accounting:

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the Sanitation Fund by \$11,005 for the fiscal year ended June 30, 2019.

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 the Municipal Corp. 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 and certain Corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Municipal Corp. has no investment policy that would further limit their investment choices.

Note 3 – Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Municipal Corp.’s rated debt investments as of June 30, 2019 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale. The Municipal Corp.’s investment policy has an emphasis on high credit quality and known marketability. The Municipal Corp.’s policy seeks to maximize the rate of return on investments while maintaining a low level of risk.

<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 427,869
Virginia State Non-Arbitrage Program	583,685
Money Market Mutual Fund	261,912
Total	<u>\$ 1,273,466</u>

Fair Value Measurement

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

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

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

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.

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 3 – Deposits and Investments: (Continued)

Fair Value Measurement (Continued)

The Municipal Corp. has the following recurring fair value measurements as of June 30, 2019:

Investment type	Balance June 30, 2019	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 fund:				
U.S. Government Obligations	\$ 261,912	\$ 261,912	\$ -	\$ -
	<u>\$ 261,912</u>	<u>\$ 261,912</u>	<u>\$ -</u>	<u>\$ -</u>

External Investment Pools

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

Note 4 – Due from Other Governments:

At June 30, 2019, the Municipal Corp. has receivables from other governments as follows:

	Governmental Activities	Business-type Activities
Other Local Governments:		
County of Northampton	\$ 11,213	\$ -
Commonwealth of Virginia:		
Communications tax	6,382	-
Port Authority grant	-	194,660
Federal Government:		
Federal Trails grant	361,735	-
Total due from other governments	<u>\$ 379,330</u>	<u>\$ 194,660</u>

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 5 – Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

Governmental Activities:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not subject to depreciation:				
Construction in progress	\$ 1,749,271	\$ 29,080	\$ -	\$ 1,778,351
Land and land improvements	2,165,460	-	-	2,165,460
Total capital assets not subject to depreciation	<u>\$ 3,914,731</u>	<u>\$ 29,080</u>	<u>\$ -</u>	<u>\$ 3,943,811</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,287,455	\$ 141,849	\$ -	\$ 3,429,304
Machinery and equipment	1,357,163	82,596	-	1,439,759
Infrastructure	943,248	-	-	943,248
Total capital assets subject to depreciation	<u>\$ 5,587,866</u>	<u>\$ 224,445</u>	<u>\$ -</u>	<u>\$ 5,812,311</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,527,516	\$ 69,434	\$ -	\$ 2,596,950
Machinery and equipment	1,108,175	87,172	-	1,195,347
Infrastructure	289,395	37,445	-	326,840
Total accumulated depreciation	<u>\$ 3,925,086</u>	<u>\$ 194,051</u>	<u>\$ -</u>	<u>\$ 4,119,137</u>
Total capital assets subject to depreciation, net	<u>\$ 1,662,780</u>	<u>\$ 30,394</u>	<u>\$ -</u>	<u>\$ 1,693,174</u>
Governmental activities capital assets, net	<u>\$ 5,577,511</u>	<u>\$ 59,474</u>	<u>\$ -</u>	<u>\$ 5,636,985</u>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 5 – Capital Assets: (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ 8,345	\$ 56,394	\$ -	\$ 64,739
Capital assets subject to depreciation:				
Water and sewer system	\$ 30,153,721	\$ 88,262	\$ -	\$ 30,241,983
Buildings and improvements	755,670	-	-	755,670
Improvements other than buildings	6,496,401	1,048,802	-	7,545,203
Machinery and equipment	869,333	5,800	-	875,133
Total capital assets subject to depreciation	\$ 38,275,125	\$ 1,142,864	\$ -	\$ 39,417,989
Accumulated depreciation:				
Water and sewer system	\$ 7,683,032	\$ 645,399	\$ -	\$ 8,328,431
Buildings and improvements	527,643	32,575	-	560,218
Improvements other than buildings	2,668,167	205,599	-	2,873,766
Machinery and equipment	676,341	36,862	-	713,203
Total accumulated depreciation	\$ 11,555,183	\$ 920,435	\$ -	\$ 12,475,618
Total capital assets subject to depreciation, net	\$ 26,719,942	\$ 222,429	\$ -	\$ 26,942,371
Business-type activities capital assets, net	\$ 26,728,287	\$ 278,823	\$ -	\$ 27,007,110

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 52,374
Public safety	27,715
Public works	49,560
Parks, recreation and cultural	64,402
Total governmental activities	\$ 194,051

Business-type activities:

Water and Sewer	\$ 673,189
Harbor	247,246
Total business-type activities	\$ 920,435

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (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, 2019:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 63,685	\$ 22,234	\$ 6,368	\$ 79,551	\$ 7,955
Net OPEB liability	66,950	14,950	11,050	70,850	-
Direct borrowings and placements:					
General obligation bonds	1,104,381	-	91,468	1,012,913	92,065
Notes payable	<u>98,934</u>	<u>23,000</u>	<u>26,591</u>	<u>95,343</u>	<u>31,617</u>
Total obligations from governmental activities	<u>\$ 1,333,950</u>	<u>\$ 60,184</u>	<u>\$ 135,477</u>	<u>\$ 1,258,657</u>	<u>\$ 131,637</u>
Business-type activities:					
Compensated absences	\$ 39,182	\$ 275	\$ 1,733	\$ 37,724	\$ 3,772
Net OPEB liability	36,050	8,050	5,950	38,150	-
Direct borrowings and placements:					
General obligation bonds	<u>6,981,046</u>	<u>-</u>	<u>468,704</u>	<u>6,512,342</u>	<u>475,109</u>
Total obligations from business-type activities	<u>\$ 7,056,278</u>	<u>\$ 8,325</u>	<u>\$ 476,387</u>	<u>\$ 6,588,216</u>	<u>\$ 478,881</u>
Total long-term obligations	<u>\$ 8,390,228</u>	<u>\$ 68,509</u>	<u>\$ 611,864</u>	<u>\$ 7,846,873</u>	<u>\$ 610,518</u>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 6 – Long-term Obligations: (Continued)

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

Year Ending June 30	Governmental Activities Obligations				Business-type Activities Obligations	
	Direct Borrowings and Placements					
	General Obligation Bonds		Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 92,065	\$ 25,903	\$ 31,617	\$ 3,217	\$ 475,109	\$ 96,928
2021	94,384	23,709	29,267	2,168	480,790	90,732
2022	97,346	21,342	24,625	1,260	486,828	83,892
2023	99,900	18,899	4,776	427	493,761	76,869
2024	102,870	16,379	5,058	220	499,305	69,641
2025	105,398	13,813	-	-	506,776	62,282
2026	107,493	11,187	-	-	515,682	54,709
2027	110,527	8,401	-	-	523,647	46,452
2028	49,747	6,238	-	-	535,427	38,299
2029	51,513	4,613	-	-	546,661	29,264
2030	53,265	2,933	-	-	553,413	19,898
2031	16,485	1,210	-	-	381,689	10,315
2032	16,905	798	-	-	385,269	6,802
2033	7,455	375	-	-	63,545	3,200
2034	7,560	189	-	-	64,440	1,611
Total	\$ <u>1,012,913</u>	\$ <u>155,989</u>	\$ <u>95,343</u>	\$ <u>7,292</u>	\$ <u>6,512,342</u>	\$ <u>690,894</u>

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Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 6 – Long-term Obligations: (Continued)

Long-term obligations at June 30, 2019 are as follows:

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness:</u>	
<u>Governmental Activities:</u>	
<u>Direct borrowings and placements:</u>	
General Obligation Bonds:	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 312,921
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	497,657
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>202,335</u>
Total general obligation bonds	<u>\$ 1,012,913</u>
Notes Payable:	
\$15,100 Rural Development note issued November 11, 2014, due in annual installments of \$3,392 through November, 2019, interest at 4.00%. This note is secured by police vehicle.	\$ 3,250
\$25,300 Rural Development note issued December 29, 2015, due in annual installments of \$5,564 through December, 2020, interest at 3.25%. This note is secured by a code enforcement vehicle.	10,591
\$76,000 Rural Development note issued May 22, 2017, due in annual installments of \$16,537 through May, 2022, interest at 2.875%. This note is secured by a tractor and a police vehicle.	46,859
\$23,000 Rural Development note issued June 26, 2019, due in annual installments of \$5,203 through June, 2024, interest at 4.25%. This note is secured by a police vehicle.	23,000
\$18,800 Rural Development note issued May 22, 2017, due in annual installments of \$4,150 through May, 2022, interest at 3.375%. This note is secured by a police vehicle.	<u>11,643</u>
Total notes payable	<u>\$ 95,343</u>

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 6 – Long-term Obligations: (Continued)

Long-term obligations at June 30, 2019 are as follows: (continued)

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness: (Continued)</u>	
<u>Governmental Activities: (Continued)</u>	
<u>Other liabilities:</u>	
Compensated Absences (payable from the General Fund)	\$ <u>79,551</u>
Net OPEB Liability (payable from the General Fund)	\$ <u>70,850</u>
Total governmental activities obligations payable	\$ <u><u>1,258,657</u></u>
<u>Business-type Activities:</u>	
<u>Direct borrowings and placements:</u>	
General Obligation Bonds:	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 1,377,079
\$5,151,627 VRA Water Facilities Revolving Fund general obligation bond issued November 30, 2010, due in semi-annual installments of \$128,791 through May, 2032, interest at 0%.	3,135,255
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	275,343
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>1,724,665</u>
Total general obligation bonds	\$ <u><u>6,512,342</u></u>
<u>Other liabilities:</u>	
Compensated Absences (payable from Enterprise Funds)	\$ <u>37,724</u>
Net OPEB Liability (payable from Enterprise Funds)	\$ <u>38,150</u>
Total business-type activities obligations	\$ <u><u>6,588,216</u></u>

The Town has a working capital line of credit of \$500,000 with Atlantic Union Bank. Advances on the line-of-credit are collateralized by a general blanket assignment of all accounts, contracts or other receivables and proceeds. At June 30, 2019, the Town outstanding balance against this line of credit was \$0 and the interest rate was 6.00%. The line of credit was not utilized during the year ended June 30, 2019.

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

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 \$164,444 consists of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$161,120 at June 30, 2019.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$3,324 at June 30, 2019.

Note 8 – Litigation:

At June 30, 2019, 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.

The following construction contracts were outstanding at June 30, 2019:

Fund	Project	Contractor	Amount of Contract	Contract Outstanding At June 30, 2019
General	Site Construction for Multi-Use Trails, Phase II	Kevcor Corporation	\$ 1,712,553	In negotiations

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

Note 10 – 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 creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% 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 creditable service 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 creditable service 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, 2017 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	18
Inactive members:	
Vested inactive members	6
Non-vested inactive members	15
Long-term disability	
Active members active elsewhere in VRS	<u>12</u>
Total inactive members	33
Active members	<u>32</u>
Total covered employees	<u><u>83</u></u>

Note 10 – 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, 2019 was 5.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Municipal Corp. were \$75,744 and \$83,299 for the years ended June 30, 2019 and June 30, 2018, 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, 2018. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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

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

Note 10 – Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 10 – Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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, 2017, 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, 2018.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 10 – Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 10 – Pension Plan: (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town and was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater.

Municipal Corporation of Cape Charles, Virginia

Notes to Financial Statements
June 30, 2019 (Continued)

Note 10 – Pension Plan: (Continued)

Discount Rate (Continued)

From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 2,647,910	\$ 2,982,152	\$ (334,242)
Changes for the year:			
Service cost	\$ 146,357	\$ -	\$ 146,357
Interest	181,520	-	181,520
Benefit changes	113,556	-	113,556
Differences between expected and actual experience	(53,377)	-	(53,377)
Contributions - employer	-	87,168	(87,168)
Contributions - employee	-	66,054	(66,054)
Net investment income	-	223,601	(223,601)
Benefit payments, including refunds			
Refunds of employee contributions	(109,532)	(109,532)	-
Administrative expenses	-	(1,856)	1,856
Other changes	-	(202)	202
Net changes	\$ 278,524	\$ 265,233	\$ 13,291
Balances at June 30, 2018	\$ 2,926,434	\$ 3,247,385	\$ (320,951)

Note 10 – 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Municipal Corp.'s			
Net Pension Liability (Asset)	\$ 76,020	\$ (320,951)	\$ (648,167)

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

For the year ended June 30, 2019, the Municipal Corp. recognized pension expense of \$42,940. At June 30, 2019, 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	\$ -	\$ 62,276
Change of assumptions	-	15,555
Net difference between projected and actual earnings on pension plan investments	-	29,810
Employer contributions subsequent to the measurement date	75,744	-
Total	\$ 75,744	\$ 107,641

Note 10 – Pension Plan: (Continued)

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

\$75,744 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	<u>Year ended June 30</u>	
2020	\$	(53,698)
2021		(20,242)
2022		(31,024)
2023		(2,677)
2024		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program 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 Program 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 Program. 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 program, it is not included as part of the GLI Program OPEB.

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program 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 Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$7,274 and \$7,096 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$109,000 its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00718% as compared to 0.00682% at June 30, 2017.

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$2,000. 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, 2019, 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	\$ 5,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	5,000
Changes in proportion	5,000	-
Employer contributions subsequent to the measurement date	<u>7,274</u>	<u>-</u>
Total	<u>\$ 17,274</u>	<u>\$ 10,000</u>

\$7,274 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, 2020. 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>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	-
2024	3,000
Thereafter	-

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’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, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		GLI OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 11 – Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Municipal Corp's proportionate share of the GLI Program			
Net OPEB Liability	\$ 142,000	\$ 109,000	\$ 81,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12 – 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 VML. VML assumes all liability for the Municipal Corp.’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Municipal Corp.’s LODA coverage is fully covered or “insured” through VML. 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, 2019 was \$3,344.

Note 13 – Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 14 – Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Municipal Corporation of Cape Charles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,374,400	\$ 1,374,400	\$ 1,408,353	\$ 33,953
Other local taxes	963,750	963,750	925,834	(37,916)
Permits, privilege fees, and regulatory licenses	80,360	80,360	124,531	44,171
Fines and forfeitures	15,300	15,300	10,271	(5,029)
Revenue from the use of money and property	42,900	42,900	66,585	23,685
Charges for services	5,100	5,100	3,827	(1,273)
Miscellaneous	6,000	6,000	19,731	13,731
Recovered costs	60,000	60,000	28,103	(31,897)
Intergovernmental:				
Commonwealth	122,924	122,924	119,990	(2,934)
Federal	1,159,275	1,159,275	372,735	(786,540)
Total revenues	<u>\$ 3,830,009</u>	<u>\$ 3,830,009</u>	<u>\$ 3,079,960</u>	<u>\$ (750,049)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,034,768	\$ 987,533	\$ 929,438	\$ 58,095
Public safety - police department	457,895	461,895	444,665	17,230
Public safety - code enforcement	125,714	125,804	142,253	(16,449)
Public works	494,313	510,313	475,210	35,103
Parks, recreation, and cultural	241,764	244,764	246,550	(1,786)
Community development	93,356	93,356	67,050	26,306
Capital projects	1,633,500	1,673,703	223,528	1,450,175
Debt service:				
Principal retirement	120,041	119,288	118,059	1,229
Interest and other fiscal charges	48,906	33,101	32,502	599
Total expenditures	<u>\$ 4,250,257</u>	<u>\$ 4,249,757</u>	<u>\$ 2,679,255</u>	<u>\$ 1,570,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (420,248)</u>	<u>\$ (419,748)</u>	<u>\$ 400,705</u>	<u>\$ 820,453</u>
OTHER FINANCING SOURCES (USES)				
Issuance of notes payable	\$ 22,100	\$ 22,100	\$ 23,000	\$ 900
Sale of land	-	177,000	580,000	403,000
Total other financing sources (uses)	<u>\$ 22,100</u>	<u>\$ 199,100</u>	<u>\$ 603,000</u>	<u>\$ 403,900</u>
Net change in fund balance	\$ (398,148)	\$ (220,648)	\$ 1,003,705	\$ 1,224,353
Fund balance - beginning	512,550	512,550	2,868,581	2,356,031
Fund balance - ending	<u>\$ 114,402</u>	<u>\$ 291,902</u>	<u>\$ 3,872,286</u>	<u>\$ 3,580,384</u>

Municipal Corporation of Cape Charles, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 For the Measurement Dates of June 30, 2014 through 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 146,357	\$ 123,278	\$ 131,962	\$ 117,294	\$ 96,808
Interest	181,520	175,415	171,863	157,456	145,759
Changes of benefit terms	113,556	-	-	-	-
Differences between expected and actual experience	(53,377)	(45,840)	(145,730)	11,707	-
Changes of assumptions	-	(51,731)	-	-	-
Benefit payments, including refunds of employee contributions	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
Net change in total pension liability	\$ 278,524	\$ 82,837	\$ 61,683	\$ 221,594	\$ 156,470
Total pension liability - beginning	2,647,910	2,565,073	2,503,390	2,281,796	2,125,326
Total pension liability - ending (a)	\$ 2,926,434	\$ 2,647,910	\$ 2,565,073	\$ 2,503,390	\$ 2,281,796
Plan fiduciary net position					
Contributions - employer	\$ 87,168	\$ 49,527	\$ 57,508	\$ 55,321	\$ 95,752
Contributions - employee	66,054	58,943	56,761	54,670	54,200
Net investment income	223,601	327,947	47,286	113,899	328,807
Benefit payments, including refunds of employee contributions	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
Administrative expense	(1,856)	(1,872)	(1,606)	(1,494)	(1,701)
Other	(202)	(291)	(20)	(24)	18
Net change in plan fiduciary net position	\$ 265,233	\$ 315,969	\$ 63,517	\$ 157,509	\$ 390,979
Plan fiduciary net position - beginning	2,982,152	2,666,183	2,602,666	2,445,157	2,054,178
Plan fiduciary net position - ending (b)	\$ 3,247,385	\$ 2,982,152	\$ 2,666,183	\$ 2,602,666	\$ 2,445,157
Municipal Corporation's net pension liability (asset) - ending (a) - (b)	\$ (320,951)	\$ (334,242)	\$ (101,110)	\$ (99,276)	\$ (163,361)
Plan fiduciary net position as a percentage of the total pension liability	110.97%	112.62%	103.94%	103.97%	107.16%
Covered payroll	\$ 1,364,599	\$ 1,258,379	\$ 1,188,982	\$ 1,118,571	\$ 1,085,627
Municipal Corporation's net pension liability (asset) as a percentage of covered payroll	-23.52%	-26.56%	-8.50%	-8.88%	-15.05%

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

Municipal Corporation of Cape Charles, Virginia

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2010 through 2019

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)
2019	\$ 75,744	\$ 75,744	\$ -	\$ 1,398,895	5.41%
2018	83,299	83,299	-	1,364,599	6.10%
2017	56,500	56,500	-	1,258,379	4.49%
2016	61,470	61,470	-	1,188,982	5.17%
2015	57,830	57,830	-	1,118,571	5.17%
2014	95,427	95,427	-	1,085,627	8.79%
2013	91,628	91,628	-	1,042,407	8.79%
2012	72,814	72,814	-	1,018,382	7.15%
2011	72,668	72,668	-	1,016,338	7.15%
2010	68,202	68,202	-	953,877	7.15%

Municipal Corporation of Cape Charles, Virginia

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Municipal Corporation of Cape Charles, Virginia
 Schedule of Municipality's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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)
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
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 7,274	\$ 7,274	-	\$ 1,398,895	0.52%
2018	7,096	7,096	-	1,364,599	0.52%
2017	6,544	6,544	-	1,258,379	0.52%
2016	5,707	5,707	-	1,188,982	0.48%
2015	5,369	5,369	-	1,118,571	0.48%
2014	5,211	5,211	-	1,085,627	0.48%
2013	5,004	5,004	-	1,042,407	0.48%
2012	2,851	2,851	-	1,018,382	0.28%
2011	2,846	2,846	-	1,016,337	0.28%
2010	1,912	1,912	-	953,876	0.27%

Municipal Corporation of Cape Charles, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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OTHER SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULES

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Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 2

<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	\$ 1,195,400	\$ 1,195,400	\$ 1,201,464	\$ 6,064
Personal property taxes	146,000	146,000	167,222	21,222
Machinery and tools taxes	18,000	18,000	19,719	1,719
Penalties and interest	15,000	15,000	19,948	4,948
Total general property taxes	<u>\$ 1,374,400</u>	<u>\$ 1,374,400</u>	<u>\$ 1,408,353</u>	<u>\$ 33,953</u>
Other local taxes:				
Local sales and use taxes	\$ 49,000	\$ 49,000	\$ 50,300	\$ 1,300
Consumers' utility taxes	54,000	54,000	53,841	(159)
Business license taxes	150,000	150,000	139,304	(10,696)
Motor vehicle licenses	33,500	33,500	30,118	(3,382)
Golf cart decals	5,700	5,700	13,181	7,481
Admissions taxes	20,300	20,300	20,727	427
Short term rental tax	6,250	6,250	3,580	(2,670)
Hotel and motel room taxes	145,000	145,000	147,841	2,841
Restaurant food taxes	500,000	500,000	465,283	(34,717)
Penalties and interest	-	-	1,659	1,659
Total other local taxes	<u>\$ 963,750</u>	<u>\$ 963,750</u>	<u>\$ 925,834</u>	<u>\$ (37,916)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 80,360	\$ 80,360	\$ 124,531	\$ 44,171
Total permits, privilege fees, and regulatory licenses	<u>\$ 80,360</u>	<u>\$ 80,360</u>	<u>\$ 124,531</u>	<u>\$ 44,171</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,300	\$ 15,300	\$ 10,271	\$ (5,029)
Total fines and forfeitures	<u>\$ 15,300</u>	<u>\$ 15,300</u>	<u>\$ 10,271</u>	<u>\$ (5,029)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 12,500	\$ 12,500	\$ 34,973	\$ 22,473
Revenue from use of property	30,400	30,400	31,612	1,212
Total revenue from use of money and property	<u>\$ 42,900</u>	<u>\$ 42,900</u>	<u>\$ 66,585</u>	<u>\$ 23,685</u>
Charges for services:				
Charges for parks and recreation	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Charges for DMV stops and FOIA fees	-	-	1,225	1,225
Credit card fees	1,300	1,300	1,622	322
Charges for library	1,800	1,800	980	(820)
Total charges for services	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ 3,827</u>	<u>\$ (1,273)</u>
Miscellaneous:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 19,731	\$ 13,731
Total miscellaneous	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 19,731</u>	<u>\$ 13,731</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2019

Schedule 1
Page 2 of 2

<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	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Other recovered costs	40,000	40,000	8,103	(31,897)
Total recovered costs	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 28,103</u>	<u>\$ (31,897)</u>
Total revenue from local sources	<u>\$ 2,547,810</u>	<u>\$ 2,547,810</u>	<u>\$ 2,587,235</u>	<u>\$ 39,425</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 44,000	\$ 44,000	\$ 39,985	\$ (4,015)
Rolling stock tax	-	-	5	5
Personal property tax relief funds	35,424	35,424	35,424	-
Total noncategorical aid	<u>\$ 79,424</u>	<u>\$ 79,424</u>	<u>\$ 75,414</u>	<u>\$ (4,010)</u>
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Arts grant	4,500	4,500	4,500	-
Law enforcement grant HB 599	29,000	29,000	30,076	1,076
Total other categorical aid	<u>\$ 43,500</u>	<u>\$ 43,500</u>	<u>\$ 44,576</u>	<u>\$ 1,076</u>
Total categorical aid	<u>\$ 43,500</u>	<u>\$ 43,500</u>	<u>\$ 44,576</u>	<u>\$ 1,076</u>
Total revenue from the Commonwealth	<u>\$ 122,924</u>	<u>\$ 122,924</u>	<u>\$ 119,990</u>	<u>\$ (2,934)</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 grant	\$ 1,146,400	\$ 1,146,400	\$ 361,735	\$ (784,665)
JAG grant	975	975	-	(975)
USDA grant	11,900	11,900	11,000	(900)
Total categorical aid	<u>\$ 1,159,275</u>	<u>\$ 1,159,275</u>	<u>\$ 372,735</u>	<u>\$ (786,540)</u>
Total revenue from the federal government	<u>\$ 1,159,275</u>	<u>\$ 1,159,275</u>	<u>\$ 372,735</u>	<u>\$ (786,540)</u>
Total General Fund	<u>\$ 3,830,009</u>	<u>\$ 3,830,009</u>	<u>\$ 3,079,960</u>	<u>\$ (750,049)</u>

Municipal Corporation of Cape Charles, Virginia
 Schedule of Expenditures - Budget and Actual
 General Fund
 For the Year Ended June 30, 2019

<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	\$ 33,252	\$ 34,345	\$ 31,011	\$ 3,334
Total legislative	<u>\$ 33,252</u>	<u>\$ 34,345</u>	<u>\$ 31,011</u>	<u>\$ 3,334</u>
General and financial administration:				
Town Clerk	\$ 144,083	\$ 144,083	\$ 134,633	\$ 9,450
Town Manager	575,103	528,364	482,323	46,041
Finance	282,330	280,741	281,471	(730)
Total general and financial administration	<u>\$ 1,001,516</u>	<u>\$ 953,188</u>	<u>\$ 898,427</u>	<u>\$ 54,761</u>
Total general government administration	<u>\$ 1,034,768</u>	<u>\$ 987,533</u>	<u>\$ 929,438</u>	<u>\$ 58,095</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 457,895	\$ 461,895	\$ 444,665	\$ 17,230
Total law enforcement and traffic control	<u>\$ 457,895</u>	<u>\$ 461,895</u>	<u>\$ 444,665</u>	<u>\$ 17,230</u>
Inspections:				
Code enforcement	\$ 125,714	\$ 125,804	\$ 142,253	\$ (16,449)
Total inspections	<u>\$ 125,714</u>	<u>\$ 125,804</u>	<u>\$ 142,253</u>	<u>\$ (16,449)</u>
Total public safety	<u>\$ 583,609</u>	<u>\$ 587,699</u>	<u>\$ 586,918</u>	<u>\$ 781</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 494,313	\$ 510,313	\$ 475,210	\$ 35,103
Total public works	<u>\$ 494,313</u>	<u>\$ 510,313</u>	<u>\$ 475,210</u>	<u>\$ 35,103</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 91,515	\$ 94,515	\$ 106,133	\$ (11,618)
Total parks and recreation	<u>\$ 91,515</u>	<u>\$ 94,515</u>	<u>\$ 106,133</u>	<u>\$ (11,618)</u>
Library:				
Library administration	\$ 150,249	\$ 150,249	\$ 140,417	\$ 9,832
Total library	<u>\$ 150,249</u>	<u>\$ 150,249</u>	<u>\$ 140,417</u>	<u>\$ 9,832</u>
Total parks, recreation, and cultural	<u>\$ 241,764</u>	<u>\$ 244,764</u>	<u>\$ 246,550</u>	<u>\$ (1,786)</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2019

<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	\$ 93,356	\$ 93,356	\$ 67,050	\$ 26,306
Total planning and community development	<u>\$ 93,356</u>	<u>\$ 93,356</u>	<u>\$ 67,050</u>	<u>\$ 26,306</u>
Total community development	<u>\$ 93,356</u>	<u>\$ 93,356</u>	<u>\$ 67,050</u>	<u>\$ 26,306</u>
Capital projects:				
Public infrastructure - streets and walkways	\$ 1,453,000	\$ 1,453,000	\$ 34,615	\$ 1,418,385
Public infrastructure - other	125,500	165,703	136,413	29,290
Vehicles and equipment	55,000	55,000	52,500	2,500
Total capital projects	<u>\$ 1,633,500</u>	<u>\$ 1,673,703</u>	<u>\$ 223,528</u>	<u>\$ 1,450,175</u>
Debt service:				
Principal retirement	\$ 120,041	\$ 119,288	\$ 118,059	\$ 1,229
Interest and other fiscal charges	48,906	33,101	32,502	599
Total debt service	<u>\$ 168,947</u>	<u>\$ 152,389</u>	<u>\$ 150,561</u>	<u>\$ 1,828</u>
Total General Fund	<u><u>\$ 4,250,257</u></u>	<u><u>\$ 4,249,757</u></u>	<u><u>\$ 2,679,255</u></u>	<u><u>\$ 1,570,502</u></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
2010	\$ 540,006	\$ 370,756	\$ 355,205	\$ 228,404	\$ 72,755	\$ 47,742	\$ 1,993,329	\$ 3,608,197
2011	771,867	412,351	736,974	134,290	81,885	64,131	1,984,209	4,185,707
2012	770,193	422,784	447,869	227,507	72,660	51,332	2,326,252	4,318,597
2013	688,965	418,308	411,438	298,615	80,967	52,426	3,033,294	4,984,013
2014	693,614	409,347	768,491	342,274	63,438	55,992	2,976,017	5,309,173
2015	702,411	423,254	483,605	284,537	53,261	51,195	2,919,126	4,917,389
2016	779,857	459,190	439,968	324,326	70,414	55,195	2,844,926	4,973,876
2017	780,254	529,272	462,247	500,987	103,487	38,410	2,714,842	5,129,499
2018	738,396	553,014	395,642	369,738	124,041	33,079	2,847,692	5,061,602
2019	976,567	580,426	520,472	288,379	63,934	31,954	2,941,117	5,402,849

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from use of Money and Property	Miscellaneous(1)	Grants and Contributions Not Restricted to Specific Programs		
2010	\$ 1,766,997	\$ 41,362	\$ 3,228,486	\$ 1,309,491	\$ 408,522	\$ 7,177	\$ 19,072	\$ 84,790	\$ 6,865,897	
2011	1,913,141	53,789	10,629,514	1,175,993	434,391	7,462	91,285	84,549	14,390,124	
2012	2,256,933	67,227	2,783,872	1,301,439	455,148	3,231	25,692	83,544	6,977,086	
2013	2,454,574	42,299	762,834	1,325,691	429,122	11,663	41,470	83,668	5,151,321	
2014	2,571,568	45,009	169,159	1,286,747	511,211	8,307	41,979	82,852	4,716,832	
2015	2,575,616	61,049	116,255	1,250,336	584,799	13,962	140,605	82,429	4,825,051	
2016	2,516,334	84,851	859,789	1,352,474	657,466	30,779	867,091	81,037	6,449,821	
2017	2,403,055	85,752	880,798	1,262,771	704,156	39,320	179,590	100,420	5,655,862	
2018	2,450,788	73,080	216,815	1,397,163	791,977	63,242	410,475	83,027	5,486,567	
2019	2,639,895	44,576	590,270	1,452,790	925,834	74,332	920,322	86,414	6,734,433	

Notes:

(1) Includes gain on disposal of capital assets.

Table 3

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2010	\$ 503,997	\$ 381,947	\$ 1,010,388	\$ 119,252	\$ 75,878	\$ 100,823	\$ 2,192,285
2011	741,412	397,501	767,847	133,369	90,925	117,546	2,248,600
2012	804,556	426,190	523,896	140,580	78,201	116,088	2,089,511
2013	661,441	441,814	535,873	160,303	85,620	127,012	2,012,063
2014	671,028	406,252	430,871	203,466	60,299	132,236	1,904,152
2015	710,293	416,577	488,941	170,270	57,293	136,819	1,980,193
2016	826,293	488,694	430,037	180,502	71,111	136,248	2,132,885
2017	804,763	532,415	493,580	211,061	103,770	1,060,008	3,205,597
2018	784,488	558,109	470,739	220,145	128,091	167,188	2,328,760
2019	929,438	586,918	475,210	246,550	67,050	150,561	2,455,727

(1) Includes General Fund.

(2) Does not include capital project expenditures.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2010	\$ 1,238,835	\$ 408,522	\$ 50,448	\$ 10,736	\$ 5,942	\$ 4,193	\$ 2,812	\$ 17,348	\$ 348,548	\$ 2,087,384
2011	1,239,811	434,391	47,391	23,051	6,552	3,223	16,048	24,540	878,774	2,673,781
2012	1,227,729	455,148	40,821	13,020	3,057	2,007	5,780	64,074	561,861	2,373,497
2013	1,225,360	429,122	70,886	12,603	11,483	4,032	27,941	20,000	263,194	2,064,621
2014	1,398,054	511,211	60,905	14,458	8,148	2,335	11,616	20,000	247,620	2,274,347
2015	1,308,036	584,799	79,022	17,193	13,762	2,504	3,758	24,368	244,733	2,278,175
2016	1,302,263	657,466	100,313	7,134	30,331	5,090	34,741	33,204	299,616	2,470,158
2017	1,306,460	704,156	62,835	5,034	38,138	7,070	5,695	22,426	1,033,188	3,185,002
2018	1,425,966	791,977	101,618	19,277	59,236	5,125	18,321	33,297	351,324	2,806,141
2019	1,408,353	925,834	124,531	10,271	66,585	3,827	19,731	28,103	492,725	3,079,960

(1) Includes General Fund.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Outstanding Delinquent Taxes to Tax Levy
2010	\$ 1,305,225	\$ 1,233,336	94.49%	\$ 19,941	\$ 1,253,277	96.02%	\$ 197,746	15.15%
2011	1,306,596	1,211,634	92.73%	10,123	1,221,757	93.51%	133,928	10.25%
2012	1,334,098	1,194,242	89.52%	43,357	1,237,599	92.77%	198,183	14.86%
2013	1,346,641	1,168,065	86.74%	59,536	1,227,601	91.16%	263,301	19.55%
2014	1,331,614	1,188,974	89.29%	147,910	1,336,884	100.40%	196,662	14.77%
2015	1,274,119	1,192,349	93.58%	91,392	1,283,741	100.76%	147,959	11.61%
2016	1,304,355	1,212,623	92.97%	56,558	1,269,181	97.30%	210,947	16.17%
2017	1,307,990	1,210,464	92.54%	56,477	1,266,941	96.86%	170,484	13.03%
2018	1,354,254	1,319,862	97.46%	82,403	1,402,265	103.55%	133,957	9.89%
2019	1,385,027	1,365,349	98.58%	53,176	1,418,525	102.42%	120,174	8.68%

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Public Utility		Total
				Real Estate (2)		
2010	\$ 610,324,249	\$ 12,728,600	\$ 17,500	\$ 3,052,751	\$	626,123,100
2011	618,341,300	12,162,400	17,000	3,678,477		634,199,177
2012	622,094,327	14,489,100	17,000	3,940,015		640,540,442
2013	623,140,200	15,296,652	17,000	3,688,742		642,142,594
2014	409,929,500	14,324,494	15,800	3,688,742		427,958,536
2015	404,822,056	11,393,551	8,300	3,631,182		419,855,089
2016	410,160,956	12,104,739	3,500	3,705,047		425,974,242
2017	354,182,650	10,873,870	3,300	3,606,095		368,665,915
2018	355,837,200	12,203,520	-	3,651,067		371,691,787
2019	405,269,300	11,945,520	-	3,844,675		421,059,495

(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	
2010	\$ 0.1828	\$ 2.00	\$ 0.1828	\$	0.1828
2011	0.1828	2.00	0.1828		0.1828
2012	0.1828	2.00	0.1828		0.1828
2013	0.1828	2.00	0.1828		0.1828
2014	0.2759	2.00	0.2759		0.2759
2015	0.2759	2.00	0.2759		0.2759
2016	0.2759	2.00	0.2759		0.2759
2017	0.3260	2.00	0.3260		0.3260
2018	0.3260	2.00	-		0.3260
2019	0.2945	2.00	-		0.2945

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Revenues (4)			
2010	1,009	\$ 626,123,100	\$ 9,962,723	\$ 95,904	\$ 8,766,119	\$ 1,100,700	0.18%	\$ 1,091
2011	1,009	634,199,177	10,703,649	95,904	9,554,330	1,053,415	0.17%	1,044
2012	1,009	640,540,442	9,092,562	257,582	7,998,966	836,014	0.13%	829
2013	1,009	642,142,594	9,417,364	353,486	8,378,491	685,387	0.11%	679
2014	1,009	427,958,536	10,094,123	257,582	8,793,226	1,043,315	0.24%	1,034
2015	1,009	419,855,089	9,611,950	257,582	8,384,203	970,165	0.23%	962
2016	1,009	425,974,242	9,116,776	257,582	7,960,552	898,642	0.21%	891
2017	1,009	368,665,915	8,642,601	257,740	7,630,508	754,353	0.20%	748
2018	1,009	371,691,787	8,085,427	257,867	6,981,046	846,514	0.23%	839
2019	1,009	421,059,495	7,525,255	258,458	6,512,342	754,455	0.18%	748

(1) United States Census Bureau, Census 2000 and Census 2010.

(2) From Table 6.

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

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

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Municipal Corporation of Cape Charles, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements, and have issued our report thereon dated March 10, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
March 10, 2020