

TOWN OF TAPPAHANNOCK, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Tappahannock
Tappahannock, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of June 30, 2021, 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.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2021, the Town restated beginning balances to reflect overpaid motor vehicle rental tax that is due back to the Commonwealth of Virginia. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 4-9, 53, and 54-56, 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 Town of Tappahannock, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The 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 February 14, 2022, on our consideration of Town of Tappahannock, 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 Town of Tappahannock, 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 Town of Tappahannock, 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
February 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Town Council
To the Citizens of the Town of Tappahannock
Town of Tappahannock, Virginia

As management of Town of Tappahannock, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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 \$10,838,683 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses of \$415,436 (Exhibit 5).

- < As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$1,786,791, an increase of \$415,436 in comparison with the prior year.
- < The combined long-term obligations increased \$885,076 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 similar to 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 Town assets and deferred outflows of resources 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 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, and sanitation.

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 Town of Tappahannock, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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. The Town has two major governmental funds - the General Fund and the Capital Projects Fund.

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the 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.

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.

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 and other supplementary information, including individual fund financial statements and budgetary comparison schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 \$10,838,683 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Position:

Town of Tappahannock, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$3,216,165	\$1,665,540	\$ 1,145,436	\$ 355,123	\$ 4,361,601	\$ 2,020,663
Capital assets	2,712,416	2,735,500	12,621,596	12,633,958	15,334,012	15,369,458
Total assets	<u>\$5,928,581</u>	<u>\$4,401,040</u>	<u>\$13,767,032</u>	<u>\$12,989,081</u>	<u>\$ 19,695,613</u>	<u>\$ 17,390,121</u>
Deferred outflows of resources	\$ 558,501	\$ 149,785	\$ 153,973	\$ 37,075	\$ 712,474	\$ 186,860
Current liabilities	\$1,402,270	\$ 64,373	\$ 516,893	\$ 428,160	\$ 1,919,163	\$ 492,533
Long-term liabilities outstanding	1,571,023	1,188,626	5,881,077	5,378,398	7,452,100	6,567,024
Total liabilities	<u>\$2,973,293</u>	<u>\$1,252,999</u>	<u>\$ 6,397,970</u>	<u>\$ 5,806,558</u>	<u>\$ 9,371,263</u>	<u>\$ 7,059,557</u>
Deferred inflows of resources	\$ 154,044	\$ 330,444	\$ 44,097	\$ 96,871	\$ 198,141	\$ 427,315
Net position:						
Net investment in capital assets	\$1,775,702	\$1,633,253	\$ 6,923,608	\$ 7,286,437	\$ 8,699,310	\$ 8,919,690
Unrestricted	1,584,043	1,334,129	555,330	(163,710)	2,139,373	1,170,419
Total net position	<u>\$3,359,745</u>	<u>\$2,967,382</u>	<u>\$ 7,478,938</u>	<u>\$ 7,122,727</u>	<u>\$10,838,683</u>	<u>\$10,090,109</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$857,558. The following table summarizes the Town's Statement of Activities:

Town of Tappahannock, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2019	2021	2020
Revenues:			1682467			
Program revenues:						
Charges for services	\$ 104,982	\$ 116,871	\$1,425,849	\$1,186,766	\$ 1,530,831	\$ 1,303,637
Operating grants and contributions	92,104	77,369	287,123	217,231	379,227	294,600
General revenues:						
General property taxes	398,294	401,319	-	-	398,294	401,319
Other local taxes	2,680,531	2,325,164	-	-	2,680,531	2,325,164
Grants and other contributions not restricted	156,877	141,886	-	-	156,877	141,886
Other general revenues	48,103	131,612	5,706	17	53,809	131,629
Total revenues	\$3,480,891	\$3,194,221	\$1,718,678	\$1,404,014	\$ 5,199,569	\$ 4,598,235
Expenses:						
General government administration	\$ 837,438	\$ 710,259	\$ -	\$ -	\$ 837,438	\$ 710,259
Public safety	1,011,016	907,958	-	-	1,011,016	907,958
Public works	781,936	721,837	1,682,467	1,585,517	2,464,403	2,307,354
Interest and other fiscal charges	29,154	35,355	-	-	29,154	35,355
Total expenses	\$2,659,544	\$2,375,409	\$1,682,467	\$1,585,517	\$ 4,342,011	\$ 3,960,926
Transfers	\$ (320,000)	\$ (370,000)	\$ 320,000	\$ 370,000	\$ -	\$ -
Change in net position	\$ 501,347	\$ 448,812	\$ 356,211	\$ 188,497	\$ 857,558	\$ 637,309
Beginning of year, as restated	2,858,398	2,518,570	7,122,727	6,934,230	9,981,125	9,452,800
End of year	<u>\$3,359,745</u>	<u>\$2,967,382</u>	<u>\$7,478,938</u>	<u>\$7,122,727</u>	<u>\$10,838,683</u>	<u>\$10,090,109</u>

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. Particularly, 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 funds reported a fund balance of \$1,786,791, an increase of \$415,436 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 88% of total governmental fund balance.

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 \$555,330. Net position increased \$356,211. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year, revenues and other sources exceeded budgetary estimates by \$729,583. Budgeted expenditures exceeded actual expenditures and other uses by \$347,839, resulting in a positive variance of \$1,077,422.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$2,712,416 and \$12,621,596, 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 debt outstanding of \$6,634,702. Of this amount, \$6,430,411 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents debt secured solely by specific property or specified revenue sources (i.e., notes or capital leases).

During the current fiscal year, the carrying value of the Town's total debt increased by \$401,329.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the Town's budget for the 2022 fiscal year.

The fiscal year 2022 budget increased approximately 12.65% in comparison to 2021, and property tax rates remained unchanged.

Requests for Information

This financial report is designed to provide a general overview of the Town of Tappahannock, 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, Post Office Box 266, Tappahannock, Virginia 22560.

Town of Tappahannock, Virginia
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,977,684	\$ 763,437	\$ 3,741,121
Investments	-	24,701	24,701
Restricted cash - customer deposits	-	71,569	71,569
Receivables (net of allowance for uncollectibles):			
Taxes receivable	38,691	-	38,691
Accounts receivable	110,345	300,524	410,869
Internal balances	14,795	(14,795)	-
Due from other governmental units	74,650	-	74,650
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,180,615	-	1,180,615
Buildings and improvements	1,239,470	-	1,239,470
Utility plant in service	-	11,938,276	11,938,276
Machinery and equipment	286,331	86,591	372,922
Construction in progress	6,000	596,729	602,729
Total assets	<u>\$ 5,928,581</u>	<u>\$ 13,767,032</u>	<u>\$ 19,670,912</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 558,501	\$ 153,973	\$ 712,474
LIABILITIES			
Accounts payable	\$ 124,548	\$ 296,386	\$ 420,934
Accrued liabilities	24,127	7,898	32,025
Accrued interest payable	7,538	26,294	33,832
Unearned revenue	1,246,057	114,746	1,360,803
Customer deposits payable	-	71,569	71,569
Long-term liabilities:			
Due within one year	328,811	558,342	887,153
Due in more than one year	1,242,212	5,322,735	6,564,947
Total liabilities	<u>\$ 2,973,293</u>	<u>\$ 6,397,970</u>	<u>\$ 9,371,263</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 2,371	\$ -	\$ 2,371
Pension related items	151,673	44,097	195,770
Total deferred inflows of resources	<u>\$ 154,044</u>	<u>\$ 44,097</u>	<u>\$ 198,141</u>
NET POSITION			
Net investment in capital assets	\$ 1,775,702	\$ 6,923,608	\$ 8,699,310
Unrestricted (deficit)	1,584,043	555,330	2,139,373
Total net position	<u>\$ 3,359,745</u>	<u>\$ 7,478,938</u>	<u>\$ 10,838,683</u>

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

Town of Tappahannock, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 837,438	\$ 3,577	\$ -	\$ (833,861)	\$ -	\$ (833,861)
Public safety	1,011,016	13,821	92,104	(905,091)	-	(905,091)
Public works	781,936	87,584	-	(694,352)	-	(694,352)
Interest on long-term debt	29,154	-	-	(29,154)	-	(29,154)
Total governmental activities	\$ 2,659,544	\$ 104,982	\$ 92,104	\$ (2,462,458)	\$ -	\$ (2,462,458)
Business-type activities:						
Water and Sewer	\$ 1,682,467	\$ 1,425,849	\$ 287,123	\$ -	\$ 30,505	\$ 30,505
Total business-type activities	\$ 1,682,467	\$ 1,425,849	\$ 287,123	\$ -	\$ 30,505	\$ 30,505
Total primary government	\$ 4,342,011	\$ 1,530,831	\$ 379,227	\$ -	\$ 30,505	\$ (2,431,953)
General revenues:						
General property taxes	\$ 398,294	\$ -	\$ -	\$ 398,294	\$ -	\$ 398,294
Other local taxes:						
Local sales and use taxes				310,345	-	310,345
Business license taxes				618,457	-	618,457
Bank stock tax				636,221	-	636,221
Restaurant food taxes				826,803	-	826,803
Other local taxes				288,705	-	288,705
Unrestricted revenues from use of money and property				453	(14)	439
Miscellaneous				47,650	5,720	53,370
Grants and contributions not restricted to specific programs				156,877	-	156,877
Transfers				(320,000)	320,000	-
Total general revenues and transfers	\$ 2,963,805	\$ 325,706	\$ 3,289,511	\$ 501,347	\$ 356,211	\$ 857,558
Change in net position	\$ 2,858,398	\$ 7,122,727	\$ 9,981,125	\$ 3,359,745	\$ 7,478,938	\$ 10,838,683
Net position - beginning, as restated						
Net position - ending						

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

Town of Tappahannock, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,756,017	\$ 221,716	\$ -	\$ 2,977,733
Receivables (net of allowance for uncollectibles):				
Taxes receivable	38,691	-	-	38,691
Accounts receivable	110,345	-	-	110,345
Due from other funds	14,795	-	-	14,795
Due from other governmental units	74,650	-	-	74,650
Total assets	<u>\$ 2,994,498</u>	<u>\$ 221,716</u>	<u>\$ -</u>	<u>\$ 3,216,214</u>
LIABILITIES				
Accounts payable	\$ 124,141	\$ -	\$ 407	\$ 124,548
Accrued payroll	24,127	-	-	24,127
Reconciled overdraft payable	-	-	49	49
Unearned revenue - grant funds	1,246,057	-	-	1,246,057
Total liabilities	<u>\$ 1,394,325</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ 1,394,781</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 34,642	\$ -	\$ -	\$ 34,642
Total deferred inflows of resources	<u>\$ 34,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,642</u>
FUND BALANCES				
Committed	\$ -	\$ 221,716	\$ -	\$ 221,716
Unassigned	1,565,531	-	(456)	1,565,075
Total fund balances	<u>\$ 1,565,531</u>	<u>\$ 221,716</u>	<u>\$ (456)</u>	<u>\$ 1,786,791</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,994,498</u>	<u>\$ 221,716</u>	<u>\$ -</u>	<u>\$ 3,216,214</u>

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

Town of Tappahannock, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,786,791
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,712,416
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Unavailable revenue - property taxes		32,271
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		558,501
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:		
General obligation bond	\$	(642,423)
General obligation note		(90,000)
Note payable		(140,980)
Capital leases		(63,311)
Accrued interest payable		(7,538)
Net pension liability		(539,213)
Compensated absences		(95,096)
		(1,578,561)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(151,673)
Net position of governmental activities	\$	3,359,745

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

Town of Tappahannock, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 410,462	\$ -	\$ -	\$ 410,462
Other local taxes	2,680,531	-	-	2,680,531
Permits, privilege fees, and regulatory licenses	4,219	-	-	4,219
Fines and forfeitures	13,179	-	-	13,179
Revenue from the use of money and property	275	75	103	453
Charges for services	87,584	-	-	87,584
Miscellaneous	46,826	-	824	47,650
Recovered costs	41,714	-	-	41,714
Intergovernmental:				
Commonwealth	235,376	-	-	235,376
Federal	13,605	-	-	13,605
Total revenues	<u>\$ 3,533,771</u>	<u>\$ 75</u>	<u>\$ 927</u>	<u>\$ 3,534,773</u>
EXPENDITURES				
Current:				
General government administration	\$ 781,551	\$ -	\$ -	\$ 781,551
Public safety	1,032,871	-	1,841	1,034,712
Public works	737,512	-	-	737,512
Nondepartmental	49,725	-	-	49,725
Debt service:				
Principal retirement	243,522	-	-	243,522
Interest and other fiscal charges	30,304	-	-	30,304
Total expenditures	<u>\$ 2,875,485</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ 2,877,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 658,286</u>	<u>\$ 75</u>	<u>\$ (914)</u>	<u>\$ 657,447</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (320,000)	\$ -	\$ -	\$ (320,000)
Issuance of capital leases	77,989	-	-	77,989
Total other financing sources (uses)	<u>\$ (242,011)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (242,011)</u>
Net change in fund balances	\$ 416,275	\$ 75	\$ (914)	\$ 415,436
Fund balances - beginning, as restated	1,149,256	221,641	458	1,371,355
Fund balances - ending	<u>\$ 1,565,531</u>	<u>\$ 221,716</u>	<u>\$ (456)</u>	<u>\$ 1,786,791</u>

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

Town of Tappahannock, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	415,436
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	127,846	
Depreciation expense		(150,930)	(23,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes			(12,168)
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Issuance of capital lease	\$	(77,989)	
Principal retirement on general obligation bonds		120,276	
Principal retirement on general obligation note		25,000	
Principal retirement on notes payable		58,631	
Principal retirement on capital leases		39,615	165,533

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:

(Increase) decrease in compensated absences	\$	(8,717)	
Change in pension related items		(36,803)	
(Increase) decrease in accrued interest payable		1,150	(44,370)

Change in net position of governmental activities	\$	501,347
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The notes to the financial statements are an integral part of this statement.

Town of Tappahannock, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2021

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 763,437
Investments	24,701
Restricted cash - customer deposits	71,569
Accounts receivable, net of allowance for uncollectibles	300,524
Total current assets	\$ 1,160,231
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 11,938,276
Machinery and equipment	86,591
Construction in progress	596,729
Total capital assets, net of accumulated depreciation	\$ 12,621,596
Total noncurrent assets	\$ 12,621,596
Total assets	\$ 13,781,827
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 153,973
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 296,386
Accrued payroll	7,898
Accrued interest payable	26,294
Unearned revenue - grant funds	114,746
Customer deposits payable	71,569
Due to general fund	14,795
Bonds payable - current portion	555,046
Compensated absences - current portion	3,296
Total current liabilities	\$ 1,090,030
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 5,142,942
Net pension liability	150,128
Compensated absences - net of current portion	29,665
Total noncurrent liabilities	\$ 5,322,735
Total liabilities	\$ 6,412,765
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 44,097
Total deferred inflows of resources	\$ 44,097
 NET POSITION	
Net investment in capital assets	\$ 6,923,608
Unrestricted	555,330
Total net position	\$ 7,478,938

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

Town of Tappahannock, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 1,425,849
Other revenues	5,720
Total operating revenues	<u>\$ 1,431,569</u>
OPERATING EXPENSES	
Personnel services	\$ 446,649
Fringe benefits	151,659
Contractual services	37,027
Other supplies and expenses	424,892
Depreciation	539,060
Total operating expenses	<u>\$ 1,599,287</u>
Operating income (loss)	<u>\$ (167,718)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ (14)
Connection/availability fees	124,475
CARES CRF reimbursement from County of Essex	8,000
Local government contribution	154,648
Bond issuance costs	(75,474)
Interest expense	(7,706)
Total nonoperating revenues (expenses)	<u>\$ 203,929</u>
Income (loss) before transfers	\$ 36,211
Transfers in	<u>320,000</u>
Change in net position	\$ 356,211
Total net position - beginning	7,122,727
Total net position - ending	<u><u>\$ 7,478,938</u></u>

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

Town of Tappahannock, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,312,643
Utility relief grant funds	114,746
Payments for operating expenses	(492,662)
Payments to and for employees	(596,553)
Payments for interfund services used	5,600
Net cash provided by (used for) operating activities	\$ 343,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 320,000
Local government contribution	162,648
Net cash provided by (used for) noncapital financing activities	\$ 482,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (526,698)
Principal payments on bonds payable	(2,177,033)
Debt issuance	2,527,500
Connection fees	124,475
Bond issuance costs	(75,474)
Interest payments	(3,409)
Net cash provided by (used for) capital and related financing activities	\$ (130,639)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 3
Purchase of investments	(24,718)
Net cash provided by (used for) investing activities	\$ (24,715)
Net increase (decrease) in cash and cash equivalents	\$ 671,068
Cash and cash equivalents - beginning, including restricted cash of \$69,215	163,938
Cash and cash equivalents - ending, including restricted cash of \$71,569	\$ 835,006
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (167,718)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 539,060
(Increase) decrease in accounts receivable	(118,926)
(Increase) decrease in net pension asset/liability	168,910
(Increase) decrease in deferred outflows of pension related items	(116,898)
Increase (decrease) in unearned utility relief grant funds	114,746
Increase (decrease) in customer deposits payable	2,354
Increase (decrease) in accounts payable	(33,097)
Increase (decrease) in accrued payroll	433
Increase (decrease) in compensated absences	2,084
Increase (decrease) in deferred inflows of pension related items	(52,774)
Increase (decrease) in due to other funds	5,600
Total adjustments	\$ 511,492
Net cash provided by (used for) operating activities	\$ 343,774

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

Town of Tappahannock, Virginia
 Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 For the Year Ended June 30, 2021

	Cemetery Private Purpose <u>Trust Fund</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	<u>\$ 7,152</u>
Investment earnings:	
Interest	<u>267</u>
Total additions	<u>\$ 7,419</u>
DEDUCTIONS	
Cemetery fees	<u>\$ 3,102</u>
Change in net position	<u>\$ 4,317</u>
Net position - beginning	<u>166,034</u>
Net position - ending	<u><u>\$ 170,351</u></u>

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of Significant Accounting Policies:

The Town of Tappahannock, Virginia (the "Town") is governed by an elected seven-member Council. The Town provides a full range of services for its citizens. These services include police and fire protection, sanitation services, and utilities.

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all 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.

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

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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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 Town of Tappahannock (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 Town has no blended component units at June 30, 2021.

Discretely Presented Component Units - The Town has no discretely presented component units at June 30, 2021.

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the way these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are 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 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 estate 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 Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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 measurable and available only when cash is received by the government.

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

1. Governmental Funds

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

a. General Fund

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

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

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

1. Governmental Funds (Continued)

b. Special Revenue Funds

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Drug Enforcement Fund, which is considered a nonmajor fund.

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Town's Capital Projects Fund is considered a major fund.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner like 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 public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

3. Fiduciary Funds - (Trust Funds)

Fiduciary Funds (Trust Funds) account for assets held by the Town unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Trust Funds, which consists of the Cemetery Private Purpose Trust Fund. Fiduciary funds are not included in the government-wide financial statements.

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 government.

E. Investments

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 deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

F. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$108,106 at June 30, 2021 and is comprised of property taxes of \$26,620 and water, sewer, garbage, and service connection charges of \$81,486.

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 Town bills and collects its own property taxes.

G. Capital Assets

Capital assets, which include property and plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (except for land values) and an estimated useful life of more than 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 attributable to capital assets for the year ended June 30, 2021.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

G. Capital Assets (Continued)

Property and plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Land Improvements	20
Buildings and Improvements	10-40
Utility Plant in Service	20-40
Machinery and Equipment	5-10

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

I. Use of Estimates

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

J. 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.

K. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are applied. It is the Town’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)

L. Pensions

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

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Fund Balance

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

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

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

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

N. Fund Balance (Continued)

Town 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 Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the General Fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP basis expenditures and other financing sources and uses.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General	Capital Projects Fund	Other Governmental Fund	Total
Fund balances:				
Committed:				
Capital projects	\$ -	\$ 221,716	\$ -	\$ 221,716
Unassigned	\$ 1,565,531	\$ -	\$ (456)	\$ 1,565,075
Total fund balances	<u>\$ 1,565,531</u>	<u>\$ 221,716</u>	<u>\$ (456)</u>	<u>\$ 1,786,791</u>

O. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

P. 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and contributions to the pension plan made during the current year and after the net pension liability measurement date. For more detailed information on this item, reference the related note.

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

P. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension 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 Town in establishing the budgetary data reflected in the financial statements:

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

Expenditures and Appropriations

Expenditures exceeded appropriations in no funds at June 30, 2021.

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 of more than the amounts 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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

The Town’s rated debt investments as of June 30, 2021, were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
Local Government Investment Pool Extended Maturity	AAAf/S1
	\$ 646,136

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	1-5 Years
Local Government Investment Pool Extended Maturity	\$ 646,136	\$ 646,136
Total	\$ 646,136	\$ 646,136

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool Extended Maturity - (LGIP EM)) 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. As LGIP EM is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The Town has measured fair value of the LGIP EM investments at the net asset value (NAV). Withdrawals can be made each Wednesday with requests provided to the Virginia State Treasury at least 5 business days in advance. The investment manager may limit withdrawals to ten percent of the portfolio’s NAV on any single transaction date.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 4—Due from Other Governments:

At June 30, 2021, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Essex	\$ 56,913
Commonwealth of Virginia:	
Communications tax	7,277
Rolling stock tax	105
Auto rental tax	8,339
Games of skill	<u>2,016</u>
Total due from other governments	<u>\$ 74,650</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,180,615	\$ -	\$ -	\$ 1,180,615
Construction in progress	-	6,000	-	6,000
Total capital assets not subject to depreciation	\$ 1,180,615	\$ 6,000	\$ -	\$ 1,186,615
Capital assets subject to depreciation:				
Buildings and improvements	\$ 2,122,251	\$ -	\$ -	\$ 2,122,251
Machinery and equipment	1,149,579	121,846	-	1,271,425
Total capital assets subject to depreciation	\$ 3,271,830	\$ 121,846	\$ -	\$ 3,393,676
Accumulated depreciation:				
Buildings and improvements	\$ 828,911	\$ 53,870	\$ -	\$ 882,781
Machinery and equipment	888,034	97,060	-	985,094
Total accumulated depreciation	\$ 1,716,945	\$ 150,930	\$ -	\$ 1,867,875
Total capital assets subject to depreciation, net	\$ 1,554,885	\$ (29,084)	\$ -	\$ 1,525,801
Governmental activities capital assets, net	\$ 2,735,500	\$ (23,084)	\$ -	\$ 2,712,416

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 389,880	\$ 503,891	\$ 297,042	\$ 596,729
Total capital assets not subject to depreciation	<u>\$ 389,880</u>	<u>\$ 503,891</u>	<u>\$ 297,042</u>	<u>\$ 596,729</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 22,295,000	\$ 297,042	\$ -	\$ 22,592,042
Machinery and equipment	326,952	22,807	-	349,759
Total capital assets subject to depreciation	<u>\$ 22,621,952</u>	<u>\$ 319,849</u>	<u>\$ -</u>	<u>\$ 22,941,801</u>
Accumulated depreciation:				
Utility plant in service	\$ 10,134,026	\$ 519,740	\$ -	\$ 10,653,766
Machinery and equipment	243,848	19,320	-	263,168
Total accumulated depreciation	<u>\$ 10,377,874</u>	<u>\$ 539,060</u>	<u>\$ -</u>	<u>\$ 10,916,934</u>
Total capital assets subject to depreciation, net	<u>\$ 12,244,078</u>	<u>\$ (219,211)</u>	<u>\$ -</u>	<u>\$ 12,024,867</u>
Business-type activities capital assets, net	<u><u>\$ 12,633,958</u></u>	<u><u>\$ 284,680</u></u>	<u><u>\$ 297,042</u></u>	<u><u>\$ 12,621,596</u></u>

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 62,545
Public safety	29,711
Public works	<u>58,674</u>
Total depreciation expense - governmental activities	<u>\$ 150,930</u>
Business-type activities:	
Water and Sewer fund	<u>\$ 539,060</u>
Total depreciation expense - primary government	<u><u>\$ 689,990</u></u>

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6—Long-term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2021:

	Balance at July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
Compensated absences	\$ 86,379	\$ 17,355	\$ 8,638	\$ 95,096	\$ 9,510
Net pension liability	-	803,530	264,317	539,213	-
Capital leases	24,937	77,989	39,615	63,311	37,345
Direct borrowings and placements:					
Notes payable	199,611	-	58,631	140,980	140,980
General obligation note	115,000	-	25,000	90,000	20,000
General obligation bonds	762,699	-	120,276	642,423	120,976
Total Governmental Activities Obligations	<u>\$1,188,626</u>	<u>\$ 898,874</u>	<u>\$ 516,477</u>	<u>\$ 1,571,023</u>	<u>\$ 328,811</u>
Business-type Activities:					
Compensated absences	\$ 30,877	\$ 5,172	\$ 3,088	\$ 32,961	\$ 3,296
Net pension liability	-	222,927	72,799	150,128	-
Direct borrowings and placements:					
General obligation bonds	5,131,126	2,527,500	1,960,638	5,697,988	555,046
Adjustment for deferred amounts:					
Issuance premium	216,395	-	216,395	-	-
Total Business-type Activities Obligations	<u>\$5,378,398</u>	<u>\$2,755,599</u>	<u>\$2,252,920</u>	<u>\$ 5,881,077</u>	<u>\$ 558,342</u>
Total Primary Government Obligations	<u>\$6,567,024</u>	<u>\$3,654,473</u>	<u>\$2,769,397</u>	<u>\$ 7,452,100</u>	<u>\$ 887,153</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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							
	Direct Borrowings and Direct Placements						Capital Leases	
	General Obligation Bond		General Obligation Note		Note Payable		Principal	Interest
	Principal	Interest	Principal	Interest (1)	Principal	Interest	Principal	Interest
2022	\$120,976	\$ 16,700	\$ 20,000	n/a	\$140,980	\$ 1,037	\$ 37,345	\$ 3,990
2023	125,963	13,860	25,000	n/a	-	-	25,966	1,597
2024	126,684	10,950	20,000	n/a	-	-	-	-
2025	22,800	9,086	25,000	n/a	-	-	-	-
2026	23,600	8,267	-	-	-	-	-	-
2027	24,500	7,418	-	-	-	-	-	-
2028	25,400	6,538	-	-	-	-	-	-
2029	26,300	5,625	-	-	-	-	-	-
2030	27,200	4,681	-	-	-	-	-	-
2031	28,200	3,703	-	-	-	-	-	-
2032	29,200	2,690	-	-	-	-	-	-
2033	30,300	1,640	-	-	-	-	-	-
2034	31,300	552	-	-	-	-	-	-
Total	<u>\$642,423</u>	<u>\$ 91,709</u>	<u>\$ 90,000</u>	<u>n/a</u>	<u>\$140,980</u>	<u>\$ 1,037</u>	<u>\$ 63,311</u>	<u>\$ 5,587</u>

(1) The interest payments on this bond are not available. The interest rate is based on the commercial paper rate.

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Direct Placements	
	General Obligation Bonds	
	Principal	Interest
2022	\$ 555,046	\$ 80,617
2023	510,870	77,590
2024	512,453	71,338
2025	499,800	65,176
2026	872,296	55,264
2027	886,127	41,330
2028	398,578	32,273
2029	402,657	28,195
2030	406,847	24,004
2031	51,897	20,381
2032	53,560	18,717
2033	55,277	17,000
2034	57,050	15,228
2035	58,879	13,399
2036	60,766	11,511
2037	62,714	9,563
2038	64,725	7,552
2039	66,800	5,477
2040	68,942	3,336
2041	52,704	1,126
Total	\$ 5,697,988	\$ 599,077

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6—Long-term Obligations: (Continued)

Primary Government Obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Outstanding	Amount Due Within One Year
Governmental Activities:						
Direct borrowings and placements:						
General obligation bond - VML through BB&T	2.05%	04/23/13	2024	\$ 996,409	\$ 309,823	\$ 100,476
General obligation bond - VML VACO	3.53%	10/16/18	2034	371,500	332,600	20,500
General obligation note - VML VACO	Variable	04/01/05	2025	450,000	90,000	20,000
Note payable - Union Bank and Trust for park land	3.88%	08/11/16	2021	165,409	122,306	122,306
Note payable - Union Bank and Trust for refuse truck	4.25%	12/15/16	2019	169,850	18,674	18,674
Other long-term debt:						
Capital lease - Police vehicle	6.90%	02/05/20	2022	38,710	12,884	12,884
Capital lease - Police vehicle	6.15%	12/02/20	2023	35,384	22,879	11,098
Capital lease - Police vehicle	6.15%	01/26/21	2023	42,605	27,548	13,363
Compensated absences payable					95,096	9,510
Net pension liability					539,213	-
Total Obligations - Governmental Activities					<u>\$ 1,571,023</u>	<u>\$ 328,811</u>
Business-type Activities:						
Direct borrowings and placements:						
General obligation bond - VRA	0%	05/01/08	2030	\$ 4,993,434	\$ 2,229,682	\$ 247,742
General obligation bond - VML VACO	2.10%	03/15/10	2030	1,585,000	889,899	89,487
General obligation bond - BB&T	2.05%	04/23/13	2024	193,591	60,177	19,524
General obligation bond - Essex Bank	3.125%	07/17/20	2041	545,000	535,730	20,313
General obligation bond - Blue Ridge Bank	3.24%	03/30/21	2041	518,500	518,500	19,443
General obligation refunding bond - Truist Bank	2.07%	05/06/21	2041	1,464,000	1,464,000	158,537
Other long-term debt:						
Compensated absences					32,961	3,296
Net pension liability					150,128	-
Total Obligations - Business-type Activities					<u>\$ 5,881,077</u>	<u>\$ 558,342</u>
Total - Primary Government					<u>\$ 7,452,100</u>	<u>\$ 887,153</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of three police cruisers. These lease agreements qualify as capital leases for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles	\$ 120,897
Less: accumulated depreciation	(18,573)
Net	<u>\$ 102,324</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2021, were as follows:

Year Ended June 30	Governmental Activities
2022	\$ 41,335
2023	27,563
Total minimum lease payments	\$ 68,898
Less: amount representing interest	(5,587)
Present value of minimum lease payments	<u>\$ 63,311</u>

Note 8—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. Deferred/unavailable revenue totaling \$34,642 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$32,271 at June 30, 2021.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$2,371 at June 30, 2021.

Note 9—Litigation:

At June 30, 2021, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of workers' compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11—Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 11—Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

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

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

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	2
Non-vested inactive members	10
Inactive members active elsewhere in VRS	10
Total inactive members	22
Active members	29
Total covered employees	65

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 Town's contractually required employer contribution rate for the year ended June 30, 2021 was 9.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$117,288 and \$66,010 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability 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. For the Town, the net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

Mortality rates:

All Others (Non-10 Largest) - 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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

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

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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Note 11—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 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	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 5,593,754	\$ 5,693,068	\$ (99,314)
Changes for the year:			
Service cost	\$ 139,844	\$ -	\$ 139,844
Interest	368,832	-	368,832
Differences between expected and actual experience	511,074	-	511,074
Contributions - employer	-	66,094	(66,094)
Contributions - employee	-	60,090	(60,090)
Net investment income	-	108,771	(108,771)
Benefit payments, including refunds	(259,163)	(259,163)	-
Administrative expenses	-	(3,732)	3,732
Other changes	-	(128)	128
Net changes	\$ 760,587	\$ (28,068)	\$ 788,655
Balances at June 30, 2020	\$ 6,354,341	\$ 5,665,000	\$ 689,341

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset) \$	1,485,395	\$ 689,341	\$ 26,018

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

For the year ended June 30, 2021, the Town recognized pension expense of \$153,413. At June 30, 2021, the Town 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	\$ 352,355	\$ 193,086
Change in assumptions	72,207	-
Net difference between projected and actual earnings on pension plan investments	167,940	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,684	2,684
Employer contributions subsequent to the measurement date	117,288	-
Total	<u>\$ 712,474</u>	<u>\$ 195,770</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 11—Pension Plan: (Continued)

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

\$117,288 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2022. 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>		
2022	\$	59,645
2023		193,437
2024		92,157
2025		54,177
2026		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12-Surety Bonds:

	<u>Amount</u>
VML Insurance Programs:	
Town employees - blanket bond	\$ 100,000 per occurrence

Note 13-Interfund Transfers:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 320,000
Water and Sewer	320,000	-
Total	\$ 320,000	\$ 320,000

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 13-Interfund Transfers: (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 14-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 Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to Virginia Risk Sharing Association (VRSA). VRSA assumes all liability for the Town’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 Town’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2021 was \$8,007.

Note 15-Restatement of Net Position:

In 2021, the Town restated beginning balances to reflect overpaid motor vehicle rental tax payable to the Commonwealth of Virginia. Our opinion is not modified with respect to this matter.

	<u>Governmental Activities</u>	<u>General Fund</u>
Net position/fund balance as previously reported	\$ 2,967,382	\$ 1,258,240
Adjustment to record overpaid motor vehicle rental tax payable to the Commonwealth of Virginia	<u>(108,984)</u>	<u>(108,984)</u>
Net position/fund balance as restated	<u>\$ 2,858,398</u>	<u>\$ 1,149,256</u>

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 16-Upcoming Pronouncements:

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

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

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

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

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

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 16-Upcoming Pronouncements: (Continued)

that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Note 17-COVID-19 Pandemic and Subsequent Event:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,246,057 from the initial allocation are reported as unearned revenue as of June 30.

Town of Tappahannock, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
REVENUES				
General property taxes	\$ 450,666	\$ 450,666	\$ 410,462	\$ (40,204)
Other local taxes	1,972,737	1,972,737	2,680,531	707,794
Permits, privilege fees, and regulatory licenses	880	880	4,219	3,339
Fines and forfeitures	25,200	25,200	13,179	(12,021)
Revenue from the use of money and property	84,400	84,400	275	(84,125)
Charges for services	90,500	90,500	87,584	(2,916)
Miscellaneous	55,501	55,501	46,826	(8,675)
Recovered costs	-	-	41,714	41,714
Intergovernmental:				
Commonwealth	124,304	124,304	235,376	111,072
Federal	-	-	13,605	13,605
Total revenues	\$ 2,804,188	\$ 2,804,188	\$ 3,533,771	\$ 729,583
EXPENDITURES				
Current:				
General government administration	\$ 907,672	\$ 907,672	\$ 781,551	\$ 126,121
Public safety	1,063,017	1,141,006	1,032,871	108,135
Public works	936,483	936,483	737,512	198,971
Nondepartmental	73,597	73,597	49,725	23,872
Debt service:				
Principal retirement	164,566	164,566	243,522	(78,956)
Interest and other fiscal charges	-	-	30,304	(30,304)
Total expenditures	\$ 3,145,335	\$ 3,223,324	\$ 2,875,485	\$ 347,839
Excess (deficiency) of revenues over (under) expenditures	\$ (341,147)	\$ (419,136)	\$ 658,286	\$ 1,077,422
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (320,000)	\$ (320,000)	\$ (320,000)	\$ -
Issuance of capital lease	-	77,989	77,989	-
Total other financing sources (uses)	\$ (320,000)	\$ (242,011)	\$ (242,011)	\$ -
Net change in fund balances	\$ (661,147)	\$ (661,147)	\$ 416,275	\$ 1,077,422
Fund balances - beginning, as restated	661,147	661,147	1,149,256	488,109
Fund balances - ending	\$ -	\$ -	\$ 1,565,531	\$ 1,565,531

Town of Tappahannock, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 139,844	\$ 119,856	\$ 122,521	\$ 127,232	\$ 111,978	\$ 127,043	\$ 120,777
Interest	368,832	373,427	376,527	346,351	343,664	332,321	313,729
Changes in benefit terms	-	-	-	339,327	-	-	-
Changes of assumptions	-	167,847	-	(95,542)	-	-	-
Differences between expected and actual experience	511,074	(289,974)	(298,701)	(53,632)	(131,191)	(4,640)	-
Benefit payments	(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Net change in total pension liability	\$ 760,587	\$ 146,996	\$ (64,751)	\$ 463,548	\$ (47,506)	\$ 241,328	\$ 310,099
Total pension liability - beginning	5,593,754	5,446,758	5,511,509	5,047,961	5,095,467	4,854,139	4,544,040
Total pension liability - ending (a)	\$ 6,354,341	\$ 5,593,754	\$ 5,446,758	\$ 5,511,509	\$ 5,047,961	\$ 5,095,467	\$ 4,854,139
Plan fiduciary net position							
Contributions - employer	\$ 66,094	\$ 67,416	\$ 100,641	\$ 102,506	\$ 92,300	\$ 91,197	\$ 106,239
Contributions - employee	60,090	60,782	60,102	61,345	61,857	61,405	67,081
Net investment income	108,771	361,408	381,171	564,952	78,795	210,894	628,737
Benefit payments	(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Administrator charges	(3,732)	(3,590)	(3,325)	(3,232)	(3,051)	(2,909)	(3,315)
Other	(128)	(227)	(337)	(504)	(34)	(46)	33
Net change in plan fiduciary net position	\$ (28,068)	\$ 261,629	\$ 273,154	\$ 524,879	\$ (142,090)	\$ 147,145	\$ 674,368
Plan fiduciary net position - beginning	5,693,068	5,431,439	5,158,285	4,633,406	4,775,496	4,628,351	3,953,983
Plan fiduciary net position - ending (b)	\$ 5,665,000	\$ 5,693,068	\$ 5,431,439	\$ 5,158,285	\$ 4,633,406	\$ 4,775,496	\$ 4,628,351
Town's net pension liability (asset) - ending (a) - (b)	\$ 689,341	\$ (99,314)	\$ 15,319	\$ 353,224	\$ 414,555	\$ 319,971	\$ 225,788
Plan fiduciary net position as a percentage of the total pension liability	89.15%	101.78%	99.72%	93.59%	91.79%	93.72%	95.35%
Covered payroll	\$ 1,254,802	\$ 1,263,697	\$ 1,230,149	\$ 1,251,059	\$ 1,263,195	\$ 1,236,201	\$ 1,313,717
Town's net pension liability (asset) as a percentage of covered payroll	54.94%	-7.86%	1.25%	28.23%	32.82%	25.88%	17.19%

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.

Town of Tappahannock, Virginia
 Schedule of Employer Contributions
 Pension Plan

For the Years Ended June 30, 2012 through June 30, 2021

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)
Primary Government					
2021	\$ 117,288	\$ 117,288	-	\$ 1,320,446	8.88%
2020	66,010	66,010	-	1,254,802	5.26%
2019	67,780	67,780	-	1,263,697	5.36%
2018	100,641	100,641	-	1,230,149	8.18%
2017	102,506	102,506	-	1,251,059	8.19%
2016	93,603	93,603	-	1,263,195	7.41%
2015	91,602	91,602	-	1,236,201	7.41%
2014	101,944	101,944	-	1,313,717	7.76%
2013	98,452	98,452	-	1,268,713	7.76%
2012	56,856	56,856	-	1,246,832	4.56%

Contributions are from Virginia Retirement System records.

Town of Tappahannock, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2021

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Tappahannock, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2021

	Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 75	\$ 75
Total revenues	\$ -	\$ -	\$ 75	\$ 75
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 75	\$ 75
Net change in fund balances	\$ -	\$ -	\$ 75	\$ 75
Fund balances - beginning	-	-	221,641	221,641
Fund balances - ending	\$ -	\$ -	\$ 221,716	\$ 221,716

Town of Tappahannock, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2021

	Drug Enforcement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 103	\$ 103
Miscellaneous	-	-	824	824
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 927</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 1,841	\$ (1,841)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ (1,841)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (914)</u>	<u>\$ (914)</u>
Net change in fund balances	\$ -	\$ -	\$ (914)	\$ (914)
Fund balances - beginning	-	-	458	458
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (456)</u>	<u>\$ (456)</u>

Town of Tappahannock, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 334,500	\$ 334,500	\$ 254,124	\$ (80,376)
Real and personal public service corporation taxes	-	-	6,486	6,486
Personal property taxes	111,500	111,500	144,881	33,381
Penalties	2,333	2,333	3,009	676
Interest and fees	2,333	2,333	1,962	(371)
Total general property taxes	<u>\$ 450,666</u>	<u>\$ 450,666</u>	<u>\$ 410,462</u>	<u>\$ (40,204)</u>
Other local taxes:				
Local sales and use taxes	\$ 240,000	\$ 240,000	\$ 310,345	\$ 70,345
Consumers' utility taxes	57,504	\$ 57,504	51,030	(6,474)
Consumption tax	-	\$ -	13,498	13,498
Business license taxes	563,333	\$ 563,333	618,457	55,124
Tobacco tax	95,400	\$ 95,400	97,265	1,865
Motor vehicle licenses	45,500	\$ 45,500	58,892	13,392
Bank stock taxes	200,000	\$ 200,000	636,221	436,221
Hotel and motel room taxes	55,000	\$ 55,000	68,020	13,020
Restaurant food taxes	716,000	\$ 716,000	826,803	110,803
Total other local taxes	<u>\$ 1,972,737</u>	<u>\$ 1,972,737</u>	<u>\$ 2,680,531</u>	<u>\$ 707,794</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 880	\$ 880	\$ 642	\$ (238)
Permits and other licenses	-	-	3,577	3,577
Total permits, privilege fees, and regulatory licenses	<u>\$ 880</u>	<u>\$ 880</u>	<u>\$ 4,219</u>	<u>\$ 3,339</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,200	\$ 25,200	\$ 13,179	\$ (12,021)
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ (125)	\$ (125)
Revenue from use of property	84,400	84,400	400	(84,000)
Total revenue from use of money and property	<u>\$ 84,400</u>	<u>\$ 84,400</u>	<u>\$ 275</u>	<u>\$ (84,125)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 90,500	\$ 90,500	\$ 87,584	\$ (2,916)
Miscellaneous:				
Miscellaneous	\$ 55,501	\$ 55,501	\$ 46,826	\$ (8,675)
Recovered costs:				
County of Essex - grant funds passed through	\$ -	\$ -	\$ 41,714	\$ 41,714
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,714</u>	<u>\$ 41,714</u>
Total revenue from local sources	<u>\$ 2,679,884</u>	<u>\$ 2,679,884</u>	<u>\$ 3,284,790</u>	<u>\$ 604,906</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

Schedule 1
 Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 21,888	\$ 21,888
Communications tax	57,504	57,504	46,659	(10,845)
Auto rental tax	-	-	34,053	34,053
Rolling stock tax	-	-	105	105
Personal property tax relief funds	-	-	54,172	54,172
Total noncategorical aid	<u>\$ 57,504</u>	<u>\$ 57,504</u>	<u>\$ 156,877</u>	<u>\$ 99,373</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ 56,800	\$ 56,800	\$ 63,499	\$ 6,699
Fire programs	10,000	10,000	15,000	5,000
Total other categorical aid	<u>\$ 66,800</u>	<u>\$ 66,800</u>	<u>\$ 78,499</u>	<u>\$ 11,699</u>
Total categorical aid	<u>\$ 66,800</u>	<u>\$ 66,800</u>	<u>\$ 78,499</u>	<u>\$ 11,699</u>
Total revenue from the Commonwealth	<u>\$ 124,304</u>	<u>\$ 124,304</u>	<u>\$ 235,376</u>	<u>\$ 111,072</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 3,995	\$ 3,995
JAG Byrne grant	-	-	9,610	9,610
Total other categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,605</u>	<u>\$ 13,605</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,605</u>	<u>\$ 13,605</u>
Total General Fund	<u>\$ 2,804,188</u>	<u>\$ 2,804,188</u>	<u>\$ 3,533,771</u>	<u>\$ 729,583</u>
Special Revenue Fund:				
Drug Enforcement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 103	\$ 103
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ 103</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 824	\$ 824
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824</u>	<u>\$ 824</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 927</u>
Total Drug Enforcement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 927</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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>
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 75	\$ 75
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 75</u>
 Total revenue from local sources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 75</u>	 <u>\$ 75</u>
 Total Capital Projects Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 75</u>	 <u>\$ 75</u>
 Total Revenues -- Primary Government	 <u>\$ 2,804,188</u>	 <u>\$ 2,804,188</u>	 <u>\$ 3,534,773</u>	 <u>\$ 730,585</u>

Town of Tappahannock, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

Schedule 2
 Page 1 of 1

<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:				
General and financial administration:				
Administration	\$ 907,672	\$ 907,672	\$ 781,551	\$ 126,121
Public safety:				
Law enforcement and traffic control:				
Police	\$ 944,228	\$ 1,022,217	\$ 945,082	\$ 77,135
Fire and rescue services:				
Fire department	\$ 108,789	\$ 108,789	\$ 87,789	\$ 21,000
Ambulance and rescue services	10,000	10,000	-	10,000
Total fire and rescue services	\$ 118,789	\$ 118,789	\$ 87,789	\$ 31,000
Total public safety	\$ 1,063,017	\$ 1,141,006	\$ 1,032,871	\$ 108,135
Public works:				
Public works	\$ 936,483	\$ 936,483	\$ 737,512	\$ 198,971
Nondepartmental:				
Unclassified	\$ 73,597	\$ 73,597	\$ 49,725	\$ 23,872
Debt service:				
Principal retirement	\$ 164,566	\$ 164,566	\$ 243,522	\$ (78,956)
Interest and other fiscal charges	-	-	30,304	(30,304)
Total debt service	\$ 164,566	\$ 164,566	\$ 273,826	\$ (109,260)
Total General Fund	\$ 3,145,335	\$ 3,223,324	\$ 2,875,485	\$ 347,839
Special Revenue Fund:				
Drug Enforcement Fund:				
Public Safety:				
Law enforcement and traffic control:				
Police equipment and drug grant	\$ -	\$ -	\$ 1,841	\$ (1,841)
Total Public Safety	\$ -	\$ -	\$ 1,841	\$ (1,841)
Total Drug Enforcement Fund	\$ -	\$ -	\$ 1,841	\$ (1,841)
Total Expenditures -- Primary Government	\$ 3,145,335	\$ 3,223,324	\$ 2,877,326	\$ 345,998

Table 1

Town of Tappahannock, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration			Public Safety	Public Works	Community Development	Interest on Long-Term Debt		Water and Sewer		Total			
2012	\$	645,787	\$	821,001	\$	676,631	\$	-	\$	64,499	\$	1,728,466	\$	3,936,384
2013		659,513		792,050		627,637		-		87,347		1,778,948		3,945,495
2014		671,654		840,205		630,687		-		38,537		1,729,926		3,911,009
2015		649,693		886,019		728,566		-		30,957		1,680,746		3,975,981
2016		202,129		885,425		677,189		5,587		35,848		1,599,633		3,405,811
2017		694,424		929,503		759,408		-		36,748		1,614,024		4,034,107
2018		806,533		1,077,311		843,817		-		34,139		1,600,444		4,362,244
2019		584,429		995,823		747,816		-		56,917		1,511,670		3,896,655
2020		710,259		907,958		721,837		-		35,355		1,585,517		3,960,926
2021		837,438		1,011,016		781,936		-		29,154		1,733,079		4,392,623

Table 2

Town of Tappahannock, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2012	\$ 1,109,857	\$ 296,849	\$ 385,756	\$ 1,668,254	\$ 3,525	\$ 23,950	\$ 151,613	\$ 3,639,804		
2013	1,317,991	241,104	421,231	1,931,662	5,202	61,438	152,506	4,131,134		
2014	1,358,784	263,421	392,453	1,989,336	1,298	33,635	151,049	4,189,976		
2015	1,332,238	252,157	415,256	2,056,220	1,225	136,853	149,152	4,343,101		
2016	1,395,141	275,131	401,916	2,177,374	1,220	30,336	162,892	4,444,010		
2017	1,348,333	253,932	425,066	2,198,610	1,378	19,337	165,442	4,412,098		
2018	1,358,346	244,860	411,625	2,058,009	1,007	25,443	157,077	4,256,367		
2019	1,327,951	275,951	422,979	2,116,511	2,023	14,705	153,726	4,313,846		
2020	1,303,637	294,600	401,319	2,325,164	96,781	34,848	141,886	4,598,235		
2021	1,536,551	379,227	398,294	2,680,531	439	47,650	156,877	5,199,569		

Table 3

Town of Tappahannock, Virginia
General Governmental Expenditures by Function (1,2)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Debt Service	Non-departmental	Total
2012	\$ 773,894	\$ 786,673	\$ 642,725	\$ 188,420	\$ 51,125	\$ 2,442,837
2013	587,036	770,603	589,564	1,197,626	50,865	3,195,694
2014	607,297	873,146	758,177	232,935	57,749	2,529,304
2015	621,635	811,848	926,522	334,423	97,984	2,792,412
2016	646,375	878,193	671,461	223,579	59,099	2,478,707
2017	613,088	864,902	790,484	225,672	62,444	2,556,590
2018	723,493	940,990	695,895	239,048	65,538	2,664,964
2019	707,401	1,213,249	721,655	260,448	63,074	2,965,827
2020	687,084	949,670	699,796	261,432	60,593	2,658,575
2021	781,551	1,034,712	737,512	273,826	49,725	2,877,326

(1) Includes General and Special Revenue Fund of the Primary Government.

(2) Excludes Capital Projects Fund.

Town of Tappahannock, Virginia
General Governmental Revenues by Source (1,2)
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
2012	\$ 372,826	\$ 1,668,254	\$ 2,737	\$ 15,197	\$ 777	\$ 93,157	\$ 4,900	\$ -	\$ 218,104	\$ 2,375,952
2013	435,325	1,931,662	3,106	17,072	4,341	87,076	12,088	-	217,106	2,707,776
2014	407,794	1,989,336	2,907	21,232	720	87,536	33,635	-	231,301	2,774,461
2015	398,395	2,056,220	2,086	15,366	698	85,619	210,850	-	215,654	2,984,888
2016	397,645	2,177,374	3,005	33,667	647	92,301	18,336	-	244,517	2,967,492
2017	427,039	2,198,610	2,255	21,281	726	90,357	19,337	-	233,338	2,992,943
2018	410,948	2,058,009	3,349	31,387	345	87,935	25,443	-	224,610	2,842,026
2019	415,984	2,116,511	2,850	38,901	937	87,888	14,705	-	221,730	2,899,506
2020	395,781	2,325,164	3,339	23,864	96,581	89,668	14,848	-	219,255	3,168,500
2021	410,462	2,680,531	4,219	13,179	378	87,584	47,650	41,714	248,981	3,534,698

(1) Includes General and Special Revenue Fund of the Primary Government.

(2) Excludes Capital Projects Fund.

Table 5

Town of Tappahannock, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Percent of	
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes to Tax Levy
2012	\$ 431,430	\$ 422,866	98.01%	\$ (2,027)	\$ 420,839	97.55%	\$ 51,798	12.01%	
2013	441,948	441,163	99.82%	15,814	456,977	103.40%	42,118	9.53%	
2014	445,037	439,111	98.67%	14,062	453,173	101.83%	34,210	7.69%	
2015	450,889	427,870	94.89%	18,449	446,319	98.99%	34,189	7.58%	
2016	454,455	431,797	95.01%	10,482	442,279	97.32%	43,193	9.50%	
2017	467,957	449,770	96.11%	19,370	469,140	100.25%	43,253	9.24%	
2018	457,317	448,211	98.01%	8,082	456,293	99.78%	50,511	11.05%	
2019	454,448	443,523	97.60%	15,684	459,207	101.05%	53,624	11.80%	
2020	455,939	430,705	94.47%	12,217	442,922	97.15%	58,073	12.74%	
2021	464,760	442,208	95.15%	17,455	459,663	98.90%	62,210	13.39%	

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

(2) Tax levy and collections include the Commonwealth's personal property tax relief revenues.

Town of Tappahannock, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Business Personal Property	Machinery and Tools	Mobile Homes	Public Utility (2)			Total
						Real Estate	Real Estate	Personal Property	
2012	\$ 299,183,186	\$ 12,739,177	\$ -	\$ 1,461,325	\$ 765,100	\$ 5,858,034	\$ 37,522	\$ 320,044,344	
2013	299,416,618	12,969,583	-	1,435,100	759,375	5,685,641	42,455	320,308,772	
2014	260,281,840	14,328,837	-	920,425	830,800	5,605,066	8,154	281,975,122	
2015	260,131,540	13,966,912	-	930,625	852,500	5,907,408	8,154	281,797,139	
2016	260,557,640	14,389,007	-	703,750	844,400	6,149,796	-	282,644,593	
2017	260,843,554	15,202,077	-	1,006,075	876,475	6,150,232	-	284,078,413	
2018	250,810,100	12,116,029	14,596,700	5,795,650	650,562	6,320,061	-	290,289,102	
2019	251,253,000	11,658,830	15,419,255	5,796,550	656,852	6,576,372	6,574	291,367,433	
2020	251,728,000	11,773,700	15,376,975	5,680,050	673,777	6,486,103	5,951	291,724,556	
2021	251,929,400	11,905,970	16,582,324	7,691,475	678,250	6,486,103	-	295,273,522	

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

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

Table 7

**Town of Tappahannock, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Business Personal Property	Machinery and Tools	Mobile Homes	Public Utility	
						Real Estate	Personal Property
2012	\$ 0.085	\$ 1.25	\$ -	\$ 1.00	\$ 0.085	\$ 0.085	\$ 1.25
2013	0.085	1.25	-	1.00	0.085	0.085	1.25
2014	0.10	1.25	-	1.00	0.10	0.10	1.25
2015	0.10	1.25	-	1.00	0.10	0.10	1.25
2016	0.10	1.25	-	1.00	0.10	0.10	1.25
2017	0.10	1.25	-	1.00	0.10	0.10	1.25
2018	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2019	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2020	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2021	0.10	1.25	0.25	0.20	0.10	0.10	1.25

(1) Per \$100 of assessed value.

Table 8

Town of Tappahannock, 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)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012	2,444	\$ 320,044,344	\$ 11,517,923	\$ 11,517,923	3.60%	\$ 4,713
2013	2,449	320,308,772	10,896,622	10,896,622	3.40%	4,449
2014	2,429	281,975,122	10,223,880	10,223,880	3.63%	4,209
2015	2,433	281,797,139	9,526,136	9,526,136	3.38%	3,915
2016	2,430	282,644,593	8,823,394	8,823,394	3.12%	3,631
2017	2,405	284,078,413	7,810,652	7,810,652	2.75%	3,248
2018	2,389	290,289,102	7,097,910	7,097,910	2.45%	2,971
2019	2,399	291,367,433	6,736,667	6,736,667	2.31%	2,808
2020	2,400	291,724,556	6,008,825	6,008,825	2.06%	2,504
2021	2,400	295,273,522	6,430,411	6,430,411	2.18%	2,679

(1) United States Census Bureau, Census 2012-2020 population estimate

(2) From Table 6

(3) Includes all long-term general obligation bonded debt. Excludes revenue bonds, notes payable, capital leases, deferred issuance premium, compensated absences, and net pension liability.

Table 9

Town of Tappahannock, Virginia
 Computation of Legal Debt Margin
 At June 30, 2021

Assessed value of real property, January 1, 2020 (1)	\$ 258,415,503
<hr/>	
Debt limit:	
10% of assessed value	\$ 25,841,550
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 6,571,391
Less: Revenue bonds and notes secured by property	(140,980)
Net general obligation bonds and loans	\$ 6,430,411
Legal debt limit	\$ 19,411,139

(1) Assessed value of real property, including public service corporations.

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



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

**To the Honorable Members of the Town Council
Town of Tappahannock
Tappahannock, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Tappahannock, Virginia's basic financial statements and have issued our report thereon dated February 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Tappahannock, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tappahannock, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tappahannock, 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 Town of Tappahannock, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Richmond, Virginia
February 14, 2022