

TOWN OF TAPPAHANNOCK, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	10
Exhibit 2 Statement of Activities	11
Fund Financial Statements:	
Exhibit 3 Balance Sheet-Governmental Funds	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	14
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7 Statement of Net Position-Proprietary Fund	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund	17
Exhibit 9 Statement of Cash Flows-Proprietary Fund	18
Exhibit 10 Statement of Fiduciary Net Position-Fiduciary Fund	19
Exhibit 11 Statement of Changes in Fiduciary Net Position-Fiduciary Fund	20
Notes to Financial Statements	21-51

TOWN OF TAPPAHANNOCK, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-General Fund	52
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios-Pension Plan	53
Exhibit 14 Schedule of Employer Contributions-Pension Plan	54
Exhibit 15 Notes to Required Supplementary Information-Pension Plan	55
<u>Other Supplementary Information:</u>	
Exhibit 16 Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Capital Projects Fund	56
Exhibit 17 Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Nonmajor Special Revenue Fund	57
Supporting Schedules:	
Schedule 1 Schedule of Revenues-Budget and Actual-Governmental Funds	58-60
Schedule 2 Schedule of Expenditures-Budget and Actual-Governmental Funds	61
<u>Other Statistical Information:</u>	
Table 1 Government-Wide Expenses by Function-Last Ten Fiscal Years	62
Table 2 Government-Wide Revenues-Last Ten Fiscal Years	63
Table 3 General Governmental Expenditures by Function-Last Ten Fiscal Years	64
Table 4 General Governmental Revenues by Source-Last Ten Fiscal Years	65
Table 5 Property Tax Levies and Collections-Last Ten Fiscal Years	66
Table 6 Assessed Value of Taxable Property-Last Ten Fiscal Years	67
Table 7 Property Tax Rates-Last Ten Fiscal Years	68
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita-Last Ten Fiscal Years	69
Table 9 Computation of Legal Debt Margin	70

TOWN OF TAPPAHANNOCK, VIRGINIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Compliance Section:</u>	
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 <i>Government Auditing Standards</i>	71-72

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 4-9, 52, and 53-55, 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 January 28, 2021, 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 "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 28, 2021

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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, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,090,109 (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 \$185,045 (Exhibit 5).

- < As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$1,480,339, an increase of \$185,045 in comparison with the prior year.
- < The combined long-term obligations decreased \$865,074 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 \$10,090,109 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,665,540	\$ 1,382,080	\$ 355,123	\$ 388,061	\$ 2,020,663	\$ 1,770,141
Capital assets	2,735,500	2,829,983	12,633,958	12,743,722	15,369,458	15,573,705
Total assets	\$ 4,401,040	\$ 4,212,063	\$ 12,989,081	\$ 13,131,783	\$ 17,390,121	\$ 17,343,846
Deferred outflows of resources	\$ 149,785	\$ 54,963	\$ 37,075	\$ 12,817	\$ 186,860	\$ 67,780
Current liabilities	\$ 64,373	\$ 54,739	\$ 428,160	\$ 107,278	\$ 492,533	\$ 162,017
Long-term liabilities outstanding	1,188,626	1,423,333	5,378,398	6,008,765	6,567,024	7,432,098
Total liabilities	\$ 1,252,999	\$ 1,478,072	\$ 5,806,558	\$ 6,116,043	\$ 7,059,557	\$ 7,594,115
Deferred inflows of resources	\$ 330,444	\$ 270,384	\$ 96,871	\$ 94,327	\$ 427,315	\$ 364,711
Net position:						
Net investment in capital assets	\$ 1,633,253	\$ 1,527,735	\$ 7,286,437	\$ 6,764,657	\$ 8,919,690	\$ 8,292,392
Unrestricted	1,334,129	990,835	(163,710)	169,573	1,170,419	1,160,408
Total net position	\$ 2,967,382	\$ 2,518,570	\$ 7,122,727	\$ 6,934,230	\$ 10,090,109	\$ 9,452,800

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$637,309. 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 116,871	\$ 129,639	\$ 1,186,766	\$ 1,198,312	\$ 1,303,637	\$ 1,327,951
Operating grants and contributions	77,369	68,004	217,231	207,947	294,600	275,951
General revenues:						
General property taxes	401,319	422,979	-	-	401,319	422,979
Other local taxes	2,325,164	2,116,511	-	-	2,325,164	2,116,511
Grants and other contributions not restricted	141,886	153,726	-	-	141,886	153,726
Other general revenues	131,612	16,400	17	328	131,629	16,728
Total revenues	\$ 3,194,221	\$ 2,907,259	\$ 1,404,014	\$ 1,406,587	\$ 4,598,235	\$ 4,313,846
Expenses:						
General government administration	\$ 710,259	\$ 584,429	\$ -	\$ -	\$ 710,259	\$ 584,429
Public safety	907,958	995,823	-	-	907,958	995,823
Public works	721,837	747,816	1,585,517	1,511,670	2,307,354	2,259,486
Interest and other fiscal charges	35,355	56,917	-	-	35,355	56,917
Total expenses	\$ 2,375,409	\$ 2,384,985	\$ 1,585,517	\$ 1,511,670	\$ 3,960,926	\$ 3,896,655
Transfers	\$ (370,000)	\$ (458,788)	\$ 370,000	\$ 458,788	\$ -	\$ -
Change in net position	\$ 448,812	\$ 63,486	\$ 188,497	\$ 353,705	\$ 637,309	\$ 417,191
Beginning of year	2,518,570	2,455,084	6,934,230	6,580,525	9,452,800	9,035,609
End of year	\$ 2,967,382	\$ 2,518,570	\$ 7,122,727	\$ 6,934,230	\$ 10,090,109	\$ 9,452,800

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 \$1,480,339, an increase of \$185,045 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 85% 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 (\$163,710). Net position increased \$188,497. 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 \$451,418. Budgeted expenditures exceeded actual expenditures and other uses by \$270,536 resulting in a positive variance of \$721,954.

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, 2020 amounts to \$2,735,500 and \$12,633,958, 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 \$6,233,373. Of this amount, \$6,008,825 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 decreased by \$788,267.

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 2021 fiscal year.

The fiscal year 2021 budget increased approximately 7% in comparison to 2020 and property tax rates remained unchanged except for machinery and tools tax was decreased from \$0.25/\$100 to \$0.20/\$100.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Tappahannock, Virginia
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,350,522	\$ 94,723	\$ 1,445,245
Restricted cash - customer deposits	-	69,215	69,215
Receivables (net of allowance for uncollectibles):			
Taxes receivable	45,544	-	45,544
Accounts receivable	88,858	181,598	270,456
Internal balances	9,195	(9,195)	-
Due from other governmental units	90,889	-	90,889
Other assets:			
Net pension asset	80,532	18,782	99,314
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,180,615	-	1,180,615
Buildings and improvements	1,293,340	-	1,293,340
Utility plant in service	-	12,160,974	12,160,974
Machinery and equipment	261,545	83,104	344,649
Construction in progress	-	389,880	389,880
Total assets	<u>\$ 4,401,040</u>	<u>\$ 12,989,081</u>	<u>\$ 17,390,121</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>\$ 149,785</u>	<u>\$ 37,075</u>	<u>\$ 186,860</u>
LIABILITIES			
Accounts payable	\$ 24,860	\$ 329,483	\$ 354,343
Accrued liabilities	30,825	7,465	38,290
Accrued interest payable	8,688	21,997	30,685
Customer deposits payable	-	69,215	69,215
Long-term liabilities:			
Due within one year	224,598	654,455	879,053
Due in more than one year	964,028	4,723,943	5,687,971
Total liabilities	<u>\$ 1,252,999</u>	<u>\$ 5,806,558</u>	<u>\$ 7,059,557</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 4,545	\$ -	\$ 4,545
Pension related items	325,899	96,871	422,770
Total deferred inflows of resources	<u>\$ 330,444</u>	<u>\$ 96,871</u>	<u>\$ 427,315</u>
NET POSITION			
Net investment in capital assets	\$ 1,633,253	\$ 7,070,042	\$ 8,703,295
Restricted for:			
Drug enforcement	458	-	458
Unrestricted (deficit)	1,333,671	52,685	1,386,356
Total net position	<u>\$ 2,967,382</u>	<u>\$ 7,122,727</u>	<u>\$ 10,090,109</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, 2020

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	\$ 710,259	\$ 2,610	\$ -	\$ (707,649)	\$ -	\$ (707,649)
Public safety	907,958	24,593	77,369	(805,996)	-	(805,996)
Public works	721,837	89,668	-	(632,169)	-	(632,169)
Interest on long-term debt	35,355	-	-	(35,355)	-	(35,355)
Total governmental activities	\$ 2,375,409	\$ 116,871	\$ 77,369	\$ (2,181,169)	\$ -	\$ (2,181,169)
Business-type activities:						
Water and Sewer	\$ 1,585,517	\$ 1,186,766	\$ 217,231	\$ -	\$ (181,520)	\$ (181,520)
Total business-type activities	\$ 1,585,517	\$ 1,186,766	\$ 217,231	\$ -	\$ (181,520)	\$ (181,520)
Total primary government	\$ 3,960,926	\$ 1,303,637	\$ 294,600	\$ -	\$ (181,520)	\$ (2,362,689)
General revenues:						
General property taxes	\$	\$ 401,319	\$ -	\$	\$ -	\$ 401,319
Other local taxes:						
Local sales and use taxes				\$ 281,946	\$ -	\$ 281,946
Business license taxes				\$ 573,230	\$ -	\$ 573,230
Bank stock tax				\$ 460,365	\$ -	\$ 460,365
Restaurant food taxes				\$ 741,132	\$ -	\$ 741,132
Other local taxes				\$ 268,491	\$ -	\$ 268,491
Unrestricted revenues from use of money and property				\$ 96,764	\$ 17	\$ 96,781
Miscellaneous				\$ 34,848	\$ -	\$ 34,848
Grants and contributions not restricted to specific programs				\$ 141,886	\$ -	\$ 141,886
Transfers				\$ (370,000)	\$ 370,000	\$ -
Total general revenues and transfers	\$	\$ 2,629,981	\$ 370,017	\$	\$ 370,017	\$ 2,999,998
Change in net position	\$	\$ 448,812	\$ 188,497	\$	\$ 188,497	\$ 637,309
Net position - beginning	\$	\$ 2,518,570	\$ 6,934,230	\$	\$ 6,934,230	\$ 9,452,800
Net position - ending	\$	\$ 2,967,382	\$ 7,122,727	\$	\$ 7,122,727	\$ 10,090,109

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

FUND FINANCIAL STATEMENTS

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Town of Tappahannock, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,128,423	\$ 221,641	\$ 458	\$ 1,350,522
Receivables (net of allowance for uncollectibles):				
Taxes receivable	45,544	-	-	45,544
Accounts receivable	88,858	-	-	88,858
Due from other funds	9,195	-	-	9,195
Due from other governmental units	90,889	-	-	90,889
Total assets	<u>\$ 1,362,909</u>	<u>\$ 221,641</u>	<u>\$ 458</u>	<u>\$ 1,585,008</u>
LIABILITIES				
Accounts payable	\$ 24,860	\$ -	\$ -	\$ 24,860
Accrued payroll	30,825	-	-	30,825
Total liabilities	<u>\$ 55,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,685</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 48,984	\$ -	\$ -	\$ 48,984
Total deferred inflows of resources	<u>\$ 48,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,984</u>
FUND BALANCES				
Restricted	\$ -	\$ -	\$ 458	\$ 458
Committed	-	221,641	-	221,641
Unassigned	1,258,240	-	-	1,258,240
Total fund balances	<u>\$ 1,258,240</u>	<u>\$ 221,641</u>	<u>\$ 458</u>	<u>\$ 1,480,339</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,362,909</u>	<u>\$ 221,641</u>	<u>\$ 458</u>	<u>\$ 1,585,008</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,480,339
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,735,500
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		44,439
Net pension asset		80,532
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		149,785
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	\$	(762,699)
General obligation note		(115,000)
Note payable		(199,611)
Capital leases		(24,937)
Accrued interest payable		(8,688)
Compensated absences		(86,379)
		(1,197,314)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(325,899)
Net position of governmental activities	\$	2,967,382

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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 395,781	\$ -	\$ -	\$ 395,781
Other local taxes	2,325,164	-	-	2,325,164
Permits, privilege fees, and regulatory licenses	3,339	-	-	3,339
Fines and forfeitures	23,864	-	-	23,864
Revenue from the use of money and property	96,429	183	152	96,764
Charges for services	89,668	-	-	89,668
Miscellaneous	14,542	20,000	306	34,848
Intergovernmental:				
Commonwealth	209,205	-	-	209,205
Federal	10,050	-	-	10,050
Total revenues	<u>\$ 3,168,042</u>	<u>\$ 20,183</u>	<u>\$ 458</u>	<u>\$ 3,188,683</u>
EXPENDITURES				
Current:				
General government administration	\$ 687,084	\$ -	\$ -	\$ 687,084
Public safety	949,670	-	-	949,670
Public works	699,796	-	-	699,796
Nondepartmental	60,593	-	-	60,593
Debt service:				
Principal retirement	224,938	-	-	224,938
Interest and other fiscal charges	36,494	-	-	36,494
Total expenditures	<u>\$ 2,658,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,658,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 509,467</u>	<u>\$ 20,183</u>	<u>\$ 458</u>	<u>\$ 530,108</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (370,000)	\$ -	\$ -	\$ (370,000)
Issuance of capital leases	24,937	-	-	24,937
Total other financing sources (uses)	<u>\$ (345,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (345,063)</u>
Net change in fund balances	\$ 164,404	\$ 20,183	\$ 458	\$ 185,045
Fund balances - beginning	1,093,836	201,458	-	1,295,294
Fund balances - ending	<u>\$ 1,258,240</u>	<u>\$ 221,641</u>	<u>\$ 458</u>	<u>\$ 1,480,339</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, 2020

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

Net change in fund balances - total governmental funds	\$	185,045
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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	\$	77,484	
Depreciation expense		(171,967)	(94,483)

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

Property taxes			5,538
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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	\$	(24,937)	
Principal retirement on general obligation bonds		119,576	
Principal retirement on general obligation note		20,000	
Principal retirement on notes payable		73,691	
Principal retirement on capital leases		11,671	200,001

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	\$	23,382	
Change in pension related items		128,190	
(Increase) decrease in accrued interest payable		1,139	152,711

Change in net position of governmental activities	\$	448,812
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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, 2020

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 94,723
Restricted cash - customer deposits	69,215
Accounts receivable, net of allowance for uncollectibles	181,598
Total current assets	\$ 345,536
Noncurrent assets:	
Other assets:	
Net pension asset	\$ 18,782
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 12,160,974
Machinery and equipment	83,104
Construction in progress	389,880
Total capital assets, net of accumulated depreciation	\$ 12,633,958
Total noncurrent assets	\$ 12,652,740
Total assets	\$ 12,998,276
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 37,075
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 329,483
Accrued payroll	7,465
Accrued interest payable	21,997
Customer deposits payable	69,215
Due to general fund	9,195
Bonds payable - current portion	651,367
Compensated absences - current portion	3,088
Total current liabilities	\$ 1,091,810
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 4,696,154
Compensated absences - net of current portion	27,789
Total noncurrent liabilities	\$ 4,723,943
Total liabilities	\$ 5,815,753
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 96,871
 NET POSITION	
Net investment in capital assets	\$ 7,070,042
Unrestricted	52,685
Total net position	\$ 7,122,727

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, 2020

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 1,161,623
Other revenues	25,143
Total operating revenues	<u>\$ 1,186,766</u>
OPERATING EXPENSES	
Personnel services	\$ 384,070
Fringe benefits	83,618
Contractual services	22,016
Other supplies and expenses	453,424
Depreciation	538,694
Total operating expenses	<u>\$ 1,481,822</u>
Operating income (loss)	<u>\$ (295,056)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 17
Connection/availability fees	61,850
Local government contribution	155,381
Interest expense	(103,695)
Total nonoperating revenues (expenses)	<u>\$ 113,553</u>
Income (loss) before transfers	\$ (181,503)
Transfers in	<u>\$ 370,000</u>
Change in net position	<u>\$ 188,497</u>
Total net position - beginning	6,934,230
Total net position - ending	<u><u>\$ 7,122,727</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, 2020

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,221,735
Payments for operating expenses	(148,598)
Payments to and for employees	(499,542)
Payments for interfund services used	5,441
Net cash provided by (used for) operating activities	<u>\$ 579,036</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 370,000
Local government contribution	155,381
Net cash provided by (used for) noncapital financing activities	<u>\$ 525,381</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (428,930)
Principal payments on bonds payable	(1,355,871)
Debt issuance	984,000
Connection fees	61,850
Interest payments	(160,398)
Net cash provided by (used for) capital and related financing activities	<u>\$ (899,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 17
Net cash provided by (used for) investing activities	<u>\$ 17</u>
Net increase (decrease) in cash and cash equivalents	\$ 205,085
Cash and cash equivalents - beginning, including restricted cash of \$69,435	175,248
Cash and cash equivalents - ending, including restricted cash of \$69,215	<u>\$ 380,333</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (295,056)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 538,694
(Increase) decrease in accounts receivable	34,969
(Increase) decrease in net pension asset	(18,782)
(Increase) decrease in deferred outflows of pension related items	(24,258)
Increase (decrease) in customer deposits payable	(220)
Increase (decrease) in accounts payable	327,062
Increase (decrease) in accrued payroll	7,465
Increase (decrease) in compensated absences	5,172
Increase (decrease) in deferred inflows of pension related items	2,544
Increase (decrease) in net pension liability	(3,995)
Increase (decrease) in due to other funds	5,441
Total adjustments	<u>\$ 874,092</u>
Net cash provided by (used for) operating activities	<u>\$ 579,036</u>

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

Town of Tappahannock, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	Cemetery Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 166,034
	<u>166,034</u>
NET POSITION	
Held for cemetery perpetual care	\$ 166,034
	<u>166,034</u>

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, 2020

	Cemetery Private Purpose <u>Trust Fund</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	<u>\$ 8,471</u>
Investment earnings:	
Interest	<u>339</u>
Total additions	<u>\$ 8,810</u>
DEDUCTIONS	
Cemetery fees	<u>\$ 334</u>
Change in net position	<u>\$ 8,476</u>
Net position - beginning	<u>157,558</u>
Net position - ending	<u><u>\$ 166,034</u></u>

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

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

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, 2020.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund 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 and Agency Funds)

Fiduciary Funds (Trust and Agency 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 consist 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.

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 \$85,475 at June 30, 2020 and is comprised of property taxes of \$16,498 and water, sewer, garbage, and service connection charges of \$68,977.

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, 2020.

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.

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:				
Restricted:				
Drug enforcement	\$ -	\$ -	\$ 458	\$ 458
Committed:				
Capital projects	\$ -	\$ 221,641	\$ -	\$ 221,641
Unassigned	\$ 1,258,240	\$ -	\$ -	\$ 1,258,240
Total fund balances	<u>\$ 1,258,240</u>	<u>\$ 221,641</u>	<u>\$ 458</u>	<u>\$ 1,480,339</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 asset and contributions to the pension plan made during the current year and after the net pension asset 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 asset 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, 2020.

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, 2020

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). The Town has no such investments at June 30, 2020.

Note 4—Due from Other Governments:

At June 30, 2020, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Essex	\$ 81,430
Commonwealth of Virginia:	
Communications tax	8,619
Rolling stock tax	32
Auto rental tax	493
Federal Government:	
Transportation safety grant	<u>315</u>
Total due from other governments	<u><u>\$ 90,889</u></u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 5—Capital Assets:

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,180,615	\$ -	\$ -	\$ 1,180,615
Construction in progress	14,875	6,941	21,816	-
Total capital assets not subject to depreciation	<u>\$ 1,195,490</u>	<u>\$ 6,941</u>	<u>\$ 21,816</u>	<u>\$ 1,180,615</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 2,100,435	\$ 21,816	\$ -	\$ 2,122,251
Machinery and equipment	1,160,611	70,543	81,575	1,149,579
Total capital assets subject to depreciation	<u>\$ 3,261,046</u>	<u>\$ 92,359</u>	<u>\$ 81,575</u>	<u>\$ 3,271,830</u>
Accumulated depreciation:				
Buildings and improvements	\$ 776,746	\$ 52,165	\$ -	\$ 828,911
Machinery and equipment	849,807	119,802	81,575	888,034
Total accumulated depreciation	<u>\$ 1,626,553</u>	<u>\$ 171,967</u>	<u>\$ 81,575</u>	<u>\$ 1,716,945</u>
Total capital assets subject to depreciation, net	<u>\$ 1,634,493</u>	<u>\$ (79,608)</u>	<u>\$ -</u>	<u>\$ 1,554,885</u>
Governmental activities capital assets, net	<u><u>\$ 2,829,983</u></u>	<u><u>\$ (72,667)</u></u>	<u><u>\$ 21,816</u></u>	<u><u>\$ 2,735,500</u></u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 5—Capital Assets: (Continued)

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ -	\$ 389,880	\$ -	\$ 389,880
Total capital assets not subject to depreciation	\$ -	\$ 389,880	\$ -	\$ 389,880
Capital assets subject to depreciation:				
Utility plant in service	\$ 22,295,000	\$ -	\$ -	\$ 22,295,000
Machinery and equipment	311,862	39,050	23,960	326,952
Total capital assets subject to depreciation	\$ 22,606,862	\$ 39,050	\$ 23,960	\$ 22,621,952
Accumulated depreciation:				
Utility plant in service	\$ 9,610,147	\$ 523,879	\$ -	\$ 10,134,026
Machinery and equipment	252,993	14,815	23,960	243,848
Total accumulated depreciation	\$ 9,863,140	\$ 538,694	\$ 23,960	\$ 10,377,874
Total capital assets subject to depreciation, net	\$ 12,743,722	\$ (499,644)	\$ -	\$ 12,244,078
Business-type activities capital assets, net	\$ 12,743,722	\$ (109,764)	\$ -	\$ 12,633,958

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 60,557
Public safety	42,879
Public works	68,531
Total depreciation expense - governmental activities	\$ 171,967
Business-type activities:	
Water and Sewer fund	\$ 538,694
Total depreciation expense - primary government	\$ 710,661

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 6—Long-term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2020:

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
Compensated absences	\$ 109,761	\$ -	\$ 23,382	\$ 86,379	\$ 8,638
Net pension liability	11,324	-	11,324	-	-
Capital leases	11,671	24,937	11,671	24,937	12,053
Direct borrowings and placements:					
Notes payable	273,302	-	73,691	199,611	58,631
General obligation note	135,000	-	20,000	115,000	25,000
General obligation bonds	882,275	-	119,576	762,699	120,276
Total Governmental Activities Obligations	\$ 1,423,333	\$ 24,937	\$ 259,644	\$ 1,188,626	\$ 224,598
Business-type Activities:					
Compensated absences	\$ 25,705	\$ 7,743	\$ 2,571	\$ 30,877	\$ 3,088
Net pension liability	3,995	-	3,995	-	-
Direct borrowings and placements:					
General obligation bonds	5,719,392	984,000	1,572,266	5,131,126	651,367
Adjustment for deferred amounts:					
Issuance premium	259,673	-	43,278	216,395	-
Total Business-type Activities Obligations	\$ 6,008,765	\$ 991,743	\$ 1,622,110	\$ 5,378,398	\$ 654,455
Total Primary Government Obligations	\$ 7,432,098	\$ 1,016,680	\$ 1,881,754	\$ 6,567,024	\$ 879,053

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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
2021	\$ 120,276	\$ 19,471	\$ 25,000	n/a	\$ 58,631	\$ 6,823	\$ 12,053	\$ 1,721
2022	120,976	16,700	20,000	n/a	140,980	1,038	12,884	889
2023	125,963	13,860	25,000	n/a	-	-	-	-
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>\$ 762,699</u>	<u>\$ 111,181</u>	<u>\$ 115,000</u>	<u>n/a</u>	<u>\$ 199,611</u>	<u>\$ 7,861</u>	<u>\$ 24,937</u>	<u>\$ 2,610</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, 2020

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
2021	\$ 651,367	\$ 88,121
2022	656,753	79,216
2023	674,782	61,833
2024	697,030	42,490
2025	694,040	22,953
2026	346,423	12,151
2027	348,866	9,708
2028	351,369	7,205
2029	353,934	4,640
2030	356,562	2,012
Total	\$ 5,131,126	\$ 330,329

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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	\$ 410,299	\$ 100,476
General obligation bond - VML VACO	3.53%	10/16/18	2034	371,500	352,400	19,800
General obligation note - VML VACO	Variable	04/01/05	2025	450,000	115,000	25,000
Note payable - Union Bank and Trust for dump truck	4.75%	12/11/14	2021	162,220	12,862	12,862
Note payable - Union Bank and Trust for park land	3.88%	08/11/16	2021	165,409	131,908	9,602
Note payable - Union Bank and Trust for refuse truck	4.25%	12/15/16	2019	169,850	54,841	36,167
Other long-term debt:						
Capital lease - Police vehicle	6.90%	02/05/20	2022	38,710	24,937	12,053
Compensated absences payable					86,379	8,638
Total Obligations - Governmental Activities					<u>\$ 1,188,626</u>	<u>\$ 224,598</u>
Business-type Activities:						
Direct borrowings and placements:						
General obligation bond - VRA	0%	05/01/08	2030	\$ 4,993,434	\$ 2,477,425	\$ 247,742
General obligation bond - VML VACO	2.10%	03/15/10	2030	1,585,000	984,000	94,101
General obligation bond - BB&T	2.05%	04/23/13	2024	193,591	79,701	19,524
General obligation bond - VRA \$1,870,000, plus unamortized premium of \$216,395	3.125-5.125%	08/10/16	2025	2,410,000	1,806,395	290,000
Other long-term debt:						
Compensated absences					30,877	3,088
Total Obligations - Business-type Activities					<u>\$ 5,378,398</u>	<u>\$ 654,455</u>
Total - Primary Government					<u><u>\$ 6,567,024</u></u>	<u><u>\$ 879,053</u></u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of a police cruiser. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	Governmental Activities
Assets:	
Vehicle	\$ 38,165
Less: accumulated depreciation	(3,066)
Net	<u>\$ 35,099</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2020, were as follows:

Year Ended June 30	Governmental Activities
2021	\$ 13,773
2022	13,773
Total minimum lease payments	\$ 27,546
Less: amount representing interest	(2,609)
Present value of minimum lease payments	<u>\$ 24,937</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 \$48,984 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$44,439 at June 30, 2020.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$4,545 at June 30, 2020.

Note 9—Litigation:

At June 30, 2020, 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.

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

Note 11—Pension Plan: (Continued)

Benefit Structures (Continued)

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

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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Note 11—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	3
Non-vested inactive members	10
Inactive members active elsewhere in VRS	10
Total inactive members	23
Active members	29
Total covered employees	66

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, 2020 was 5.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$66,010 and \$67,780 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

The net pension asset 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, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

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.

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except 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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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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11—Pension Plan: (Continued)**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except 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:

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

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

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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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 5,446,758	\$ 5,431,439	\$ 15,319
Changes for the year:			
Service cost	\$ 119,856	\$ -	\$ 119,856
Interest	373,427	-	373,427
Differences between expected and actual experience	(289,974)	-	(289,974)
Assumption changes	167,847	-	167,847
Contributions - employer	-	67,416	(67,416)
Contributions - employee	-	60,782	(60,782)
Net investment income	-	361,408	(361,408)
Benefit payments, including refunds	(224,160)	(224,160)	-
Administrative expenses	-	(3,590)	3,590
Other changes	-	(227)	227
Net changes	\$ 146,996	\$ 261,629	\$ (114,633)
Balances at June 30, 2019	\$ 5,593,754	\$ 5,693,068	\$ (99,314)

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 <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net Pension Liability (Asset)	\$ 652,253	\$ (99,314)	\$ (696,879)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$(107,035). At June 30, 2020, 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	\$ -	\$ 361,368
Change in assumptions	120,027	11,239
Net difference between projected and actual earnings on pension plan investments	-	49,340
Changes in proportion and differences between employer contributions and proportionate share of contributions	823	823
Employer contributions subsequent to the measurement date	<u>66,010</u>	<u>-</u>
Total	<u>\$ 186,860</u>	<u>\$ 422,770</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 11—Pension Plan: (Continued)

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

\$66,010 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (132,267)
2022	(153,253)
2023	(19,461)
2024	3,061
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12-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, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 370,000
Water and Sewer	370,000	-
Total	<u>\$ 370,000</u>	<u>\$ 370,000</u>

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, 2020 was \$7,206.

Note 15-Upcoming Pronouncements:

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

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

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

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

Note 15-Upcoming Pronouncements: (Continued)

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.

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

Note 16-Subsequent Event:

On July 17, 2020, the Town issued \$545,000 of Series 2020B bonds payable through August 1, 2040, interest at 3.125%. Total repayment amount, including interest, is \$737,933.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Town of Tappahannock, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

Note 16-Subsequent Event: (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. Town of Tappahannock, Virginia, did not receive any CRF funds.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Tappahannock, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 450,666	\$ 450,666	\$ 395,781	\$ (54,885)
Other local taxes	1,970,033	1,970,034	2,325,164	355,130
Permits, privilege fees, and regulatory licenses	880	880	3,339	2,459
Fines and forfeitures	24,000	24,000	23,864	(136)
Revenue from the use of money and property	400	400	96,429	96,029
Charges for services	90,500	90,500	89,668	(832)
Miscellaneous	55,500	55,500	14,542	(40,958)
Intergovernmental:				
Commonwealth	124,644	124,644	209,205	84,561
Federal	-	-	10,050	10,050
Total revenues	<u>\$ 2,716,623</u>	<u>\$ 2,716,624</u>	<u>\$ 3,168,042</u>	<u>\$ 451,418</u>
EXPENDITURES				
Current:				
General government administration	\$ 799,248	\$ 799,248	\$ 687,084	\$ 112,164
Public safety	999,862	1,024,800	949,670	75,130
Public works	918,867	918,867	699,796	219,071
Nondepartmental	76,280	76,280	60,593	15,687
Debt service:				
Principal retirement	159,916	159,916	224,938	(65,022)
Interest and other fiscal charges	-	-	36,494	(36,494)
Total expenditures	<u>\$ 2,954,173</u>	<u>\$ 2,979,111</u>	<u>\$ 2,658,575</u>	<u>\$ 320,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (237,550)</u>	<u>\$ (262,487)</u>	<u>\$ 509,467</u>	<u>\$ 771,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (320,000)	\$ (320,000)	\$ (370,000)	\$ (50,000)
Issuance of capital lease	-	24,937	24,937	-
Total other financing sources (uses)	<u>\$ (320,000)</u>	<u>\$ (295,063)</u>	<u>\$ (345,063)</u>	<u>\$ (50,000)</u>
Net change in fund balances	\$ (557,550)	\$ (557,550)	\$ 164,404	\$ 721,954
Fund balances - beginning	557,550	557,550	1,093,836	536,286
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,240</u>	<u>\$ 1,258,240</u>

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, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 119,856	\$ 122,521	\$ 127,232	\$ 111,978	\$ 127,043	\$ 120,777
Interest	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	(289,974)	(298,701)	(53,632)	(131,191)	(4,640)	-
Benefit payments	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Net change in total pension liability	\$ 146,996	\$ (64,751)	\$ 463,548	\$ (47,506)	\$ 241,328	\$ 310,099
Total pension liability - beginning	5,446,758	5,511,509	5,047,961	5,095,467	4,854,139	4,544,040
Total pension liability - ending (a)	\$ 5,593,754	\$ 5,446,758	\$ 5,511,509	\$ 5,047,961	\$ 5,095,467	\$ 4,854,139
Plan fiduciary net position						
Contributions - employer	\$ 67,416	\$ 100,641	\$ 102,506	\$ 92,300	\$ 91,197	\$ 106,239
Contributions - employee	60,782	60,102	61,345	61,857	61,405	67,081
Net investment income	361,408	381,171	564,952	78,795	210,894	628,737
Benefit payments	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Administrator charges	(3,590)	(3,325)	(3,232)	(3,051)	(2,909)	(3,315)
Other	(227)	(337)	(504)	(34)	(46)	33
Net change in plan fiduciary net position	\$ 261,629	\$ 273,154	\$ 524,879	\$ (142,090)	\$ 147,145	\$ 674,368
Plan fiduciary net position - beginning	5,431,439	5,158,285	4,633,406	4,775,496	4,628,351	3,953,983
Plan fiduciary net position - ending (b)	\$ 5,693,068	\$ 5,431,439	\$ 5,158,285	\$ 4,633,406	\$ 4,775,496	\$ 4,628,351
Town's net pension liability (asset) - ending (a) - (b)	\$ (99,314)	\$ 15,319	\$ 353,224	\$ 414,555	\$ 319,971	\$ 225,788
Plan fiduciary net position as a percentage of the total pension liability	101.78%	99.72%	93.59%	91.79%	93.72%	95.35%
Covered payroll	\$ 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	-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, 2011 through June 30, 2020

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					
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%
2011	57,498	57,498	-	1,260,918	4.56%

Contributions are from VRS records.

Town of Tappahannock, Virginia
 Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended June 30, 2020

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

OTHER SUPPLEMENTARY INFORMATION

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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, 2020

	<u>Capital Projects Fund</u>			Variance with Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 183	\$ 183
Miscellaneous	-	-	20,000	20,000
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,183</u>	<u>\$ 20,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,183</u>	<u>\$ 20,183</u>
Net change in fund balances	\$ -	\$ -	\$ 20,183	\$ 20,183
Fund balances - beginning	-	-	201,458	201,458
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,641</u>	<u>\$ 221,641</u>

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, 2020

	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	\$ -	\$ -	\$ 152	\$ 152
Miscellaneous	-	-	306	306
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 458</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 458	\$ 458
Net change in fund balances	\$ -	\$ -	\$ 458	\$ 458
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 458</u>

SUPPORTING SCHEDULES

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Town of Tappahannock, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 334,500	\$ 334,500	\$ 242,342	\$ (92,158)
Real and personal public service corporation taxes	-	-	6,561	6,561
Personal property taxes	111,500	111,500	139,847	28,347
Penalties	2,333	2,333	4,599	2,266
Interest and fees	2,333	2,333	2,432	99
Total general property taxes	<u>\$ 450,666</u>	<u>\$ 450,666</u>	<u>\$ 395,781</u>	<u>\$ (54,885)</u>
Other local taxes:				
Local sales and use taxes	\$ 240,000	\$ 240,000	\$ 281,946	\$ 41,946
Consumers' utility taxes	60,000	60,000	50,810	(9,190)
Consumption tax	-	-	13,394	13,394
Business license taxes	563,333	563,334	573,230	9,896
Tobacco tax	100,200	100,200	92,982	(7,218)
Motor vehicle licenses	45,500	45,500	57,197	11,697
Bank stock taxes	200,000	200,000	460,365	260,365
Hotel and motel room taxes	45,000	45,000	54,108	9,108
Restaurant food taxes	716,000	716,000	741,132	25,132
Total other local taxes	<u>\$ 1,970,033</u>	<u>\$ 1,970,034</u>	<u>\$ 2,325,164</u>	<u>\$ 355,130</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 880	\$ 880	\$ 729	\$ (151)
Permits and other licenses	-	-	2,610	2,610
Total permits, privilege fees, and regulatory licenses	<u>\$ 880</u>	<u>\$ 880</u>	<u>\$ 3,339</u>	<u>\$ 2,459</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 24,000	\$ 24,000	\$ 23,864	\$ (136)
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 264	\$ 264
Revenue from use of property	400	400	96,165	95,765
Total revenue from use of money and property	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 96,429</u>	<u>\$ 96,029</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 90,500	\$ 90,500	\$ 89,668	\$ (832)
Miscellaneous:				
Miscellaneous	\$ 55,500	\$ 55,500	\$ 14,542	\$ (40,958)
Total revenue from local sources	<u>\$ 2,591,979</u>	<u>\$ 2,591,980</u>	<u>\$ 2,948,787</u>	<u>\$ 356,807</u>

Town of Tappahannock, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 75	\$ 75
Communications tax	60,000	60,000	52,530	(7,470)
Auto rental tax	-	-	35,073	35,073
Rolling stock tax	-	-	36	36
Personal property tax relief funds	-	-	54,172	54,172
Total noncategorical aid	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 141,886</u>	<u>\$ 81,886</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ 54,644	\$ 54,644	\$ 56,776	\$ 2,132
Asset forfeiture	-	-	543	543
Fire programs	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 64,644</u>	<u>\$ 64,644</u>	<u>\$ 67,319</u>	<u>\$ 2,675</u>
Total categorical aid	<u>\$ 64,644</u>	<u>\$ 64,644</u>	<u>\$ 67,319</u>	<u>\$ 2,675</u>
Total revenue from the Commonwealth	<u>\$ 124,644</u>	<u>\$ 124,644</u>	<u>\$ 209,205</u>	<u>\$ 84,561</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 6,285	\$ 6,285
JAG Byrne grant	-	-	3,765	3,765
Total other categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,050</u>	<u>\$ 10,050</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,050</u>	<u>\$ 10,050</u>
Total General Fund	<u>\$ 2,716,623</u>	<u>\$ 2,716,624</u>	<u>\$ 3,168,042</u>	<u>\$ 451,418</u>
Special Revenue Fund:				
Drug Enforcement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 152	\$ 152
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 152</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 306	\$ 306
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 306</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 458</u>
Total Drug Enforcement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 458</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 183	\$ 183
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183</u>	<u>\$ 183</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 20,000	\$ 20,000
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,183</u>	<u>\$ 20,183</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,183</u>	<u>\$ 20,183</u>
Total Revenues -- Primary Government	<u>\$ 2,716,623</u>	<u>\$ 2,716,624</u>	<u>\$ 3,188,683</u>	<u>\$ 472,059</u>

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Town of Tappahannock, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
General and financial administration:				
Administration	\$ 799,248	\$ 799,248	\$ 687,084	\$ 112,164
Public safety:				
Law enforcement and traffic control:				
Police	\$ 891,073	\$ 916,011	\$ 840,881	\$ 75,130
Fire and rescue services:				
Fire department	\$ 98,789	\$ 98,789	\$ 98,789	\$ -
Ambulance and rescue services	10,000	10,000	10,000	-
Total fire and rescue services	\$ 108,789	\$ 108,789	\$ 108,789	\$ -
Total public safety	\$ 999,862	\$ 1,024,800	\$ 949,670	\$ 75,130
Public works:				
Public works	\$ 918,867	\$ 918,867	\$ 699,796	\$ 219,071
Nondepartmental:				
Unclassified	\$ 76,280	\$ 76,280	\$ 60,593	\$ 15,687
Debt service:				
Principal retirement	\$ 159,916	\$ 159,916	\$ 224,938	\$ (65,022)
Interest and other fiscal charges	-	-	36,494	(36,494)
Total debt service	\$ 159,916	\$ 159,916	\$ 261,432	\$ (101,516)
Total General Fund	\$ 2,954,173	\$ 2,979,111	\$ 2,658,575	\$ 320,536
Total Expenditures -- Primary Government	\$ 2,954,173	\$ 2,979,111	\$ 2,658,575	\$ 320,536

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OTHER STATISTICAL INFORMATION

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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
						Water	Sewer	
2011	\$ 627,381	\$ 788,683	\$ 694,486	\$ -	\$ 61,148	\$ 1,712,613	\$ 1,712,613	\$ 3,884,311
2012	645,787	821,001	676,631	-	64,499	1,728,466	1,728,466	3,936,384
2013	659,513	792,050	627,637	-	87,347	1,778,948	1,778,948	3,945,495
2014	671,654	840,205	630,687	-	38,537	1,729,926	1,729,926	3,911,009
2015	649,693	886,019	728,566	-	30,957	1,680,746	1,680,746	3,975,981
2016	202,129	885,425	677,189	5,587	35,848	1,599,633	1,599,633	3,405,811
2017	694,424	929,503	759,408	-	36,748	1,614,024	1,614,024	4,034,107
2018	806,533	1,077,311	843,817	-	34,139	1,600,444	1,600,444	4,362,244
2019	584,429	995,823	747,816	-	56,917	1,511,670	1,511,670	3,896,655
2020	710,259	907,958	721,837	-	35,355	1,585,517	1,585,517	3,960,926

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			
2011	\$ 1,167,762	\$ 257,999	\$ 389,754	\$ 1,583,624	\$ 8,294	\$ 45,214	\$ 146,044	\$ 3,598,691		
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		

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
2011	\$ 578,432	\$ 759,732	\$ 685,535	\$ 192,344	\$ 49,131	\$ 2,265,174
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

(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	Inter-governmental	Total
2011	\$ 386,276	\$ 1,583,624	\$ 2,647	\$ 34,657	\$ 1,126	\$ 87,462	\$ 24,789	\$ 222,441	\$ 2,343,022
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

(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
2011	\$ 430,827	\$ 430,671	99.96%	\$ 2,978	\$ 433,649	100.66%	\$ 41,327	9.59%	
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%	

(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	
2011	\$ 297,683,885	\$ 12,857,943	\$ -	\$ 1,407,245	\$ 752,800	\$ 5,718,755	\$ 37,313	\$ 318,457,941	
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	

(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
2011	\$ 0.085	\$ 1.25	\$ -	\$ 1.00	\$ 0.085	\$ 0.085	\$ 1.25
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

(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
2011	2,375	\$ 318,457,941	\$ 12,173,174	\$ 12,173,174	3.82%	\$ 5,126
2012	2,375	320,044,344	11,517,923	11,517,923	3.60%	4,850
2013	2,375	320,308,772	10,896,622	10,896,622	3.40%	4,588
2014	2,375	281,975,122	10,223,880	10,223,880	3.63%	4,305
2015	2,375	281,797,139	9,526,136	9,526,136	3.38%	4,011
2016	2,375	282,644,593	8,823,394	8,823,394	3.12%	3,715
2017	2,375	284,078,413	7,810,652	7,810,652	2.75%	3,289
2018	2,375	290,289,102	7,097,910	7,097,910	2.45%	2,989
2019	2,375	291,367,433	6,736,667	6,736,667	2.31%	2,836
2020	2,375	291,724,556	6,008,825	6,008,825	2.06%	2,530

(1) United States Census Bureau, Census 2010

(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.

Town of Tappahannock, Virginia
 Computation of Legal Debt Margin
 At June 30, 2020

Assessed value of real property, January 1, 2019 (1)	\$ 258,214,103
<hr/>	
Debt limit:	
10% of assessed value	\$ 25,821,410
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 6,208,436
Less: Revenue bonds and notes secured by property	(199,611)
Net general obligation bonds and loans	\$ 6,008,825
Legal debt limit	\$ 19,812,585

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

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

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COMPLIANCE SECTION

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

To the Honorable Members of the 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, 2020, 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 January 28, 2021.

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 "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 28, 2021