

TOWN OF WASHINGTON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF WASHINGTON, VIRGINIA

COUNCIL

Fred Catlin, Mayor

Gail Swift, Treasurer

Katharine Leggett

Mary Ann Kuhn

Patrick O'Connell

Brad Schneider

Joseph Whited

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Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Washington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Washington, 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Washington, 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 and the budgetary comparison information on pages 3-7 and 31 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.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of Town of Washington, 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 Washington, 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 Washington, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Washington, 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.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,784,526 (net position). Of this amount, \$601,505 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's funds reported a General Fund balance of \$475,309, a decrease of \$28,781 from the prior year.
- The Town's total long-term obligations decreased from \$2,118,423 to \$2,016,487 during the current fiscal year.

Overview of the Financial Statements

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

- Government-wide financial statements,
- Fund financial statements, and
- 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 Town finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all Town assets and liabilities, with the difference between the two 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 Town 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., accounts receivable and accounts payable).

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

The government-wide financial statements include only Town of Washington, Virginia, itself (known as the primary government).

Overview of the Financial Statements: (Continued)

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. Town of Washington, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories - the governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's ability to satisfy near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund - the General Fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The Town maintains two proprietary funds - the Water Fund and the Wastewater Fund. Proprietary funds use the accrual basis of accounting, similar to a private-sector business.

Notes to the financial statements - The notes to the financial statements 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 and other supplementary information for budgetary comparison schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's assets exceeded liabilities by \$2,784,526 at the close of the most recent fiscal year.

Town of Washington, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 478,049	\$ 510,911	\$ 137,936	\$ 184,381	\$ 615,985	\$ 695,292
Capital assets	<u>207,096</u>	<u>210,846</u>	<u>3,992,412</u>	<u>4,142,829</u>	<u>4,199,508</u>	<u>4,353,675</u>
Total assets	<u>\$ 685,145</u>	<u>\$ 721,757</u>	<u>\$ 4,130,348</u>	<u>\$ 4,327,210</u>	<u>\$ 4,815,493</u>	<u>\$ 5,048,967</u>
Long-term liabilities outstanding	\$ -	\$ -	\$ 1,904,026	\$ 1,927,741	\$ 1,904,026	\$ 1,927,741
Current liabilities	<u>2,740</u>	<u>6,821</u>	<u>124,201</u>	<u>221,138</u>	<u>126,941</u>	<u>227,959</u>
Total liabilities	<u>\$ 2,740</u>	<u>\$ 6,821</u>	<u>\$ 2,028,227</u>	<u>\$ 2,148,879</u>	<u>\$ 2,030,967</u>	<u>\$ 2,155,700</u>
Net investment in capital assets	\$ 207,096	\$ 210,846	\$ 1,975,925	\$ 2,024,406	\$ 2,183,021	\$ 2,235,252
Unrestricted	<u>475,309</u>	<u>504,090</u>	<u>126,196</u>	<u>153,925</u>	<u>601,505</u>	<u>658,015</u>
Total net position	<u>\$ 682,405</u>	<u>\$ 714,936</u>	<u>\$ 2,102,121</u>	<u>\$ 2,178,331</u>	<u>\$ 2,784,526</u>	<u>\$ 2,893,267</u>

A large part of the Town's net position, \$2,183,021, or 78%, reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental activities - Governmental activities decreased the Town's net position by \$32,531 while business-type activities decreased it by \$76,210. Key elements of these changes are as follows:

Town of Washington, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 115	\$ 87	\$ 221,018	\$ 230,185	\$ 221,133	\$ 230,272
Operating grants and contributions	10,000	10,000	-	-	10,000	10,000
General revenues:						
Other local taxes	327,601	402,620	-	-	327,601	402,620
Grants and other contributions not restricted	3,039	3,155	-	-	3,039	3,155
Other general revenues	6,424	15,738	-	-	6,424	15,738
Total revenues	\$ 347,179	\$ 431,600	\$ 221,018	\$ 230,185	\$ 568,197	\$ 661,785
Expenses:						
General government						
administration	\$ 179,924	\$ 142,485	\$ -	\$ -	\$ 179,924	\$ 142,485
Public safety	10,000	10,000	-	-	10,000	10,000
Public works	46,087	32,124	-	-	46,087	32,124
Community development	10,877	17,143	-	-	10,877	17,143
Water	-	-	108,864	115,955	108,864	115,955
Wastewater	-	-	321,186	280,132	321,186	280,132
Total expenses	\$ 246,888	\$ 201,752	\$ 430,050	\$ 396,087	\$ 676,938	\$ 597,839
Increase (decrease) in net position before transfers	\$ 100,291	\$ 229,848	\$ (209,032)	\$ (165,902)	\$ (108,741)	\$ 63,946
Transfers	(132,822)	(221,570)	132,822	221,570	-	-
Change in net position	\$ (32,531)	\$ 8,278	\$ (76,210)	\$ 55,668	\$ (108,741)	\$ 63,946
Net position, beginning of year	714,936	706,658	2,178,331	2,122,663	2,893,267	2,829,321
Net position, end of year	\$ 682,405	\$ 714,936	\$ 2,102,121	\$ 2,178,331	\$ 2,784,526	\$ 2,893,267

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 spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. At June 30, 2020, the Town's unassigned fund balance totals \$473,138 and the balance decreased \$29,922 during the fiscal year.

General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$401,300 and expenditures in the amount of \$279,290. Actual General Fund revenues totaled \$347,179 which were over budget by \$54,121. General Fund expenditures totaled \$243,138 and were under budget by \$36,152. Overall general revenues and other financing sources were less than expenditures and other uses by \$28,781 as shown in Exhibit 10.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets as of June 30, 2020 totals \$4,199,508 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The Town's investment in capital assets for the current fiscal year decreased by \$154,167.

Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Debt - During the year the Town's long-term debt decreased by \$101,936. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 5 to the financial statements.

Contact the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Washington, P.O. Box 7, Washington, Virginia 22747.

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- Basic Financial Statements -
Government-wide Financial Statements

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Statement of Net Position
At June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 441,841	\$ 42,164	\$ 484,005
Accounts receivable	34,037	38,022	72,059
Connection fees receivable	-	57,750	57,750
Prepaid items	2,171	-	2,171
Total current assets	\$ 478,049	\$ 137,936	\$ 615,985
Noncurrent assets:			
Capital assets:			
Land	\$ 173,347	\$ 7,950	\$ 181,297
Buildings and improvements (net of accumulated depreciation)	33,749	3,959,440	3,993,189
Equipment (net of accumulated depreciation)	-	25,022	25,022
Capital assets, net	\$ 207,096	\$ 3,992,412	\$ 4,199,508
Total noncurrent assets	\$ 207,096	\$ 3,992,412	\$ 4,199,508
Total assets	\$ 685,145	\$ 4,130,348	\$ 4,815,493
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,740	\$ 11,740	\$ 14,480
Long-term obligations, current portion	-	112,461	112,461
Total current liabilities	\$ 2,740	\$ 124,201	\$ 126,941
Noncurrent liabilities:			
Long-term obligations, noncurrent portion	\$ -	\$ 1,904,026	\$ 1,904,026
Total liabilities	\$ 2,740	\$ 2,028,227	\$ 2,030,967
Net Position:			
Net investment in capital assets	\$ 207,096	\$ 1,975,925	\$ 2,183,021
Unrestricted	475,309	126,196	601,505
Total net position	\$ 682,405	\$ 2,102,121	\$ 2,784,526
Total liabilities and net position	\$ 685,145	\$ 4,130,348	\$ 4,815,493

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

TOWN OF WASHINGTON, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 179,924	\$ -	\$ -	\$ -
Public safety	10,000	115	10,000	-
Public works	46,087	-	-	-
Community development	10,877	-	-	-
Total governmental activities	\$ 246,888	\$ 115	\$ 10,000	\$ -
Business-type activities				
Water	\$ 108,864	\$ 85,185	\$ -	\$ -
Wastewater	321,186	135,833	-	-
Total business-type activities	\$ 430,050	\$ 221,018	\$ -	\$ -
Total primary government	\$ 676,938	\$ 221,133	\$ 10,000	\$ -

General Revenues

Taxes:

Meals tax

Other local taxes

Grants and contributions not restricted to specific programs

Revenue from use of money and property

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (179,924)	\$ -	\$ (179,924)
115	-	115
(46,087)	-	(46,087)
(10,877)	-	(10,877)
<u>\$ (236,773)</u>	<u>\$ -</u>	<u>\$ (236,773)</u>
\$ -	\$ (23,679)	\$ (23,679)
-	(185,353)	(185,353)
<u>\$ -</u>	<u>\$ (209,032)</u>	<u>\$ (209,032)</u>
<u>\$ (236,773)</u>	<u>\$ (209,032)</u>	<u>\$ (445,805)</u>
\$ 316,969	\$ -	\$ 316,969
10,632	-	10,632
3,039	-	3,039
4,676	-	4,676
1,748	-	1,748
(132,822)	132,822	-
<u>\$ 204,242</u>	<u>\$ 132,822</u>	<u>\$ 337,064</u>
\$ (32,531)	\$ (76,210)	\$ (108,741)
714,936	2,178,331	2,893,267
<u>\$ 682,405</u>	<u>\$ 2,102,121</u>	<u>\$ 2,784,526</u>

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- Basic Financial Statements -
Fund Financial Statements

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Balance Sheet
Governmental Fund
At June 30, 2020

	General Fund
Assets:	
Cash and cash equivalents	\$ 441,841
Accounts receivable	34,037
Prepaid items	<u>2,171</u>
Total assets	<u>\$ 478,049</u>
Liabilities:	
Accounts payable	<u>\$ 2,740</u>
Total liabilities	<u>\$ 2,740</u>
Fund Balance:	
Nonspendable:	
Prepaid items	\$ 2,171
Unassigned	<u>473,138</u>
Total fund balance	<u>\$ 475,309</u>
Total liabilities and fund balance	<u>\$ 478,049</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
At June 30, 2020

Total fund balance for governmental fund (Exhibit 3)	\$	475,309
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	173,347	
Depreciable capital assets, net of accumulated depreciation		<u>33,749</u>	
Capital assets, net			<u>207,096</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$		<u><u>682,405</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2020

	General Fund
Revenues:	
Other local taxes	\$ 327,601
Permits, privilege fees and regulatory licenses	115
Revenue from use of money and property	4,676
Miscellaneous	1,748
Intergovernmental revenue	13,039
Total revenues	<u>\$ 347,179</u>
Expenditures:	
General government administration	\$ 176,174
Public safety	10,000
Public works	46,087
Community development	2,637
Capital projects	8,240
Total expenditures	<u>\$ 243,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 104,041</u>
Other financing sources (uses):	
Transfers in	\$ 1,702
Transfers out	<u>(134,524)</u>
Total other financing sources (uses)	<u>\$ (132,822)</u>
Net change in fund balance	\$ (28,781)
Fund balance at beginning of year	<u>504,090</u>
Fund balance at end of year	<u><u>\$ 475,309</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balance - total governmental fund (Exhibit 5) \$ (28,781)

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:

Depreciation expense (3,750)

Change in net position of governmental activities (Exhibit 2) \$ (32,531)

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

Statement of Net Position
 Proprietary Funds
 At June 30, 2020

	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 11,916	\$ 30,248	\$ 42,164
Accounts receivable	14,019	24,003	38,022
Due from other funds	-	16,755	16,755
Connection fees receivable	-	57,750	57,750
Total current assets	\$ 25,935	\$ 128,756	\$ 154,691
Noncurrent assets:			
Capital assets:			
Land	\$ 7,950	\$ -	\$ 7,950
Buildings and improvements (net of accumulated depreciation)	667,542	3,291,898	3,959,440
Equipment (net of accumulated depreciation)	25,022	-	25,022
Capital assets, net	\$ 700,514	\$ 3,291,898	\$ 3,992,412
Total noncurrent assets	\$ 700,514	\$ 3,291,898	\$ 3,992,412
Total assets	\$ 726,449	\$ 3,420,654	\$ 4,147,103
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,883	\$ 8,857	\$ 11,740
Due to other funds	16,755	-	16,755
Bonds payable - current portion	13,855	98,606	112,461
Total current liabilities	\$ 33,493	\$ 107,463	\$ 140,956
Noncurrent liabilities:			
Bonds payable - noncurrent portion	\$ 227,727	\$ 1,676,299	\$ 1,904,026
Total liabilities	\$ 261,220	\$ 1,783,762	\$ 2,044,982
Net Position:			
Net investment in capital assets	\$ 458,932	\$ 1,516,993	\$ 1,975,925
Unrestricted	6,297	119,899	126,196
Total net position	\$ 465,229	\$ 1,636,892	\$ 2,102,121
Total liabilities and net position	\$ 726,449	\$ 3,420,654	\$ 4,147,103

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2020

	Enterprise Funds		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 85,185	\$ 135,833	\$ 221,018
Total operating revenues	\$ 85,185	\$ 135,833	\$ 221,018
Operating expenses:			
Contractual services	\$ 32,740	\$ 100,748	\$ 133,488
Telephone	742	3,163	3,905
Electricity	5,419	25,708	31,127
Equipment	-	2,608	2,608
Office supplies	-	121	121
Repairs and services	10,793	43,995	54,788
Materials	2,435	430	2,865
Treatment chemicals	457	5,604	6,061
Lab supplies	1,178	20,170	21,348
Miscellaneous	-	4,128	4,128
Postage	782	55	837
Depreciation	42,105	114,456	156,561
Total operating expenses	\$ 96,651	\$ 321,186	\$ 417,837
Operating income (loss)	\$ (11,466)	\$ (185,353)	\$ (196,819)
Nonoperating revenues (expenses):			
Interest expense	\$ (12,213)	\$ -	\$ (12,213)
Net nonoperating revenues (expenses)	\$ (12,213)	\$ -	\$ (12,213)
Income (loss) before transfers	\$ (23,679)	\$ (185,353)	\$ (209,032)
Transfers:			
Transfers in	\$ 14,523	\$ 134,524	\$ 149,047
Transfers out	(666)	(15,559)	(16,225)
Net transfers	\$ 13,857	\$ 118,965	\$ 132,822
Change in net position	\$ (9,822)	\$ (66,388)	\$ (76,210)
Net position, beginning of year	475,051	1,703,280	2,178,331
Net position, end of year	\$ 465,229	\$ 1,636,892	\$ 2,102,121

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 91,098	\$ 154,136	\$ 245,234
Payments for operating activities	(80,886)	(213,628)	(294,514)
Net cash provided by (used for) operating activities	\$ 10,212	\$ (59,492)	\$ (49,280)
Cash flows from capital and related financing activities:			
Interest expense	\$ (12,213)	\$ -	\$ (12,213)
Purchase of capital assets	(6,144)	-	(6,144)
Capital contributions	-	47,250	47,250
Principal retired on debt	(13,191)	(88,745)	(101,936)
Net cash provided by (used for) capital and related financing activities	\$ (31,548)	\$ (41,495)	\$ (73,043)
Cash flows from noncapital financing activities:			
Transfers in	\$ 14,523	\$ 134,524	\$ 149,047
Transfers out	(666)	(15,559)	(16,225)
Net cash provided by (used for) noncapital financing activities	\$ 13,857	\$ 118,965	\$ 132,822
Increase (decrease) in cash and cash equivalents	\$ (7,479)	\$ 17,978	\$ 10,499
Cash and cash equivalents at beginning of year	19,395	12,270	31,665
Cash and cash equivalents at end of year	\$ 11,916	\$ 30,248	\$ 42,164
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (11,466)	\$ (185,353)	\$ (196,819)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	42,105	114,456	156,561
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	5,913	3,781	9,694
Increase (decrease) in accounts payable	(11,818)	(6,898)	(18,716)
Increase (decrease) in due from/(to) other funds	(14,522)	14,522	-
Net cash provided by (used for) operating activities	\$ 10,212	\$ (59,492)	\$ (49,280)

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

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TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements At June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant policies.

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. 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. There are no component units for the Town of Washington.

Financial Statement Presentation:

Management's Discussion and Analysis: The financial statements are required to be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements:

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities 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 changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identified 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.

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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 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 Washington, Virginia.

B. Individual Component Unit Disclosures: None

C. Other Related Organizations included in the Town Financial Statements: None

D. 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 (GASB). 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental fund.

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 transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for government-wide reporting purposes.

2. Proprietary Funds:

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

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

2. Proprietary Funds: (Continued)

Enterprise Funds:

Enterprise 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 Town's enterprise funds 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.

Enterprise funds consist of the Water Fund and the Wastewater Fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets and Budgetary Accounting:

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to year end, the Town Council prepares a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. Supplemental appropriations may be made without amending the budget.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30 for all Town funds.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2020, as adopted, appropriated and legally amended.
8. The Town Council may legally amend the budget only by following procedures used in the adoption of the original budget.

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Cash and Cash Equivalents:

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Investments:

External investment pools are measured at amortized cost. All other investments are reported at fair value which approximates market.

H. Allowance for Doubtful Accounts:

The Town collects substantially all water accounts receivable; consequently, no provision for doubtful accounts is considered necessary.

I. Prepaid Items:

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

J. Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 50
Equipment	5 to 10

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Long-term Obligations:

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

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

L. Fund Balances:

Financial Policies

The Town Council meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the Town's policy to fund current expenditures with current revenues and the Town's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The Town's unassigned General Fund balance will be maintained to provide the Town with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the Town's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other 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.

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Fund Balances: (Continued)

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.

M. 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.

N. 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.

O. 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. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items which qualify for reporting in this category.

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 no items which qualify for reporting in this category.

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize The 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).

Custodial Credit Risk (Investments):

The Town does not have an investment policy. The Town's investments at June 30, 2020 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments

	<u>S&P Rating</u>	<u>Value</u>
Local Government Investment Pool	AAAm	\$ <u>260,191</u>

Interest Rate Risk:

The Town reports investments and maturities as follows:

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Value</u>	<u>Less than 1</u>
Local Government Investment Pool	\$ <u>260,191</u>	\$ <u>260,191</u>

* Weighted average maturity in years

External Investment Pool:

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

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 3 - INTERFUND TRANSFERS DUE FROM/TO OTHER FUNDS:

Individual fund and interfund receivable and payable at June 30, 2020 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Water Fund	\$ -	\$ 16,755
Wastewater Fund	16,755	-
Total	<u>\$ 16,755</u>	<u>\$ 16,755</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,702	\$ 134,524
Water Fund	14,523	666
Wastewater Fund	134,524	15,559
Total	<u>\$ 150,749</u>	<u>\$ 150,749</u>

Transfers allow the Town to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorizations.

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 173,347	\$ -	\$ -	\$ 173,347
Capital assets being depreciated:				
Buildings	\$ 150,000	\$ -	\$ -	\$ 150,000
Equipment	21,478	-	8,028	13,450
Total capital assets being depreciated	<u>\$ 171,478</u>	<u>\$ -</u>	<u>\$ 8,028</u>	<u>\$ 163,450</u>
Accumulated depreciation:				
Buildings	\$ (112,501)	\$ (3,750)	\$ -	\$ (116,251)
Equipment	(21,478)	-	(8,028)	(13,450)
Total accumulated depreciation	<u>\$ (133,979)</u>	<u>\$ (3,750)</u>	<u>\$ (8,028)</u>	<u>\$ (129,701)</u>
Net capital assets being depreciated	<u>\$ 37,499</u>	<u>\$ (3,750)</u>	<u>\$ -</u>	<u>\$ 33,749</u>
Net capital assets governmental activities	<u>\$ 210,846</u>	<u>\$ (3,750)</u>	<u>\$ -</u>	<u>\$ 207,096</u>

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type Activities:				
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 7,950	\$ -	\$ -	\$ 7,950
Capital assets being depreciated:				
Buildings and Improvements	\$ 1,455,471	\$ -	\$ 1,102	\$ 1,454,369
Equipment	70,165	6,144	22,469	53,840
Total capital assets being depreciated	\$ 1,525,636	\$ 6,144	\$ 23,571	\$ 1,508,209
Accumulated depreciation:				
Buildings and Improvements	\$ (749,085)	\$ (38,844)	\$ (1,102)	\$ (786,827)
Equipment	(48,026)	(3,261)	(22,469)	(28,818)
Total accumulated depreciation	\$ (797,111)	\$ (42,105)	\$ (23,571)	\$ (815,645)
Net capital assets being depreciated	\$ 728,525	\$ (35,961)	\$ -	\$ 692,564
Net capital assets water fund	\$ 736,475	\$ (35,961)	\$ -	\$ 700,514
Wastewater Fund:				
Capital assets being depreciated:				
Buildings and Improvements	\$ 4,463,914	\$ -	\$ -	\$ 4,463,914
Equipment	6,453	-	6,453	-
Total capital assets being depreciated	\$ 4,470,367	\$ -	\$ 6,453	\$ 4,463,914
Accumulated depreciation:				
Buildings and Improvements	\$ (1,060,418)	\$ (111,598)	\$ -	\$ (1,172,016)
Equipment	(3,595)	(2,858)	(6,453)	-
Total accumulated depreciation	\$ (1,064,013)	\$ (114,456)	\$ (6,453)	\$ (1,172,016)
Net capital assets being depreciated	\$ 3,406,354	\$ (114,456)	\$ -	\$ 3,291,898
Net capital assets wastewater fund	\$ 3,406,354	\$ (114,456)	\$ -	\$ 3,291,898

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:

General government administration	\$ 3,750
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Business-type Activities:

Water fund	\$ 42,105
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Wastewater fund	\$ 114,456
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NOTE 5 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2020.

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Due Within One Year
Business-type Activities:					
Direct Borrowings and Direct Placements:					
Revenue Bonds	\$ 254,773	\$ -	\$ 13,191	\$ 241,582	\$ 13,855
VRA Bond	1,863,650	-	88,745	1,774,905	98,606
Total Business-type Activities	\$ 2,118,423	\$ -	\$ 101,936	\$ 2,016,487	\$ 112,461

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Water		VRA Bond	
	Revenue Bonds Principal	Interest	Principal	Interest
2021	\$ 13,855	\$ 11,549	\$ 98,606	\$ -
2022	14,553	10,851	197,212	-
2023	15,286	10,118	197,212	-
2024	16,055	9,349	197,212	-
2025	16,864	8,540	197,212	-
2026	17,713	7,691	197,212	-
2027	18,606	6,798	197,212	-
2028	19,543	5,861	197,212	-
2029	20,527	4,877	197,212	-
2030	21,561	3,843	98,603	-
2031	22,648	2,756	-	-
2032	23,789	1,615	-	-
2033	13,606	543	-	-
2034	3,856	235	-	-
2035	3,120	61	-	-
Totals	\$ 241,582	\$ 84,687	\$ 1,774,905	\$ -

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness:

Business-Type Activities:

Revenue Bonds:

Direct Borrowings and Direct Placements:

\$231,500 Series 1991A Water System Bond, payable to FmHA in monthly installments of \$1,128, bearing interest at 5.00%, maturing January 9, 2033	\$ 125,397
\$133,000 Series 1991B Water System Bond, payable to FmHA in monthly installments of \$648, bearing interest at 5.00%, maturing January 9, 2033	72,076
\$75,000 Water System Bond, payable to FmHA in monthly installments of \$341, bearing interest at 4.50%, maturing April 28, 2035	<u>44,109</u>
Total revenue bonds payable	<u>\$ 241,582</u>

VRA Bond:

Direct Borrowings and Direct Placements:

\$4,000,000 VRA Bond, payable in semi-annual installments of \$98,606, interest at 0%, maturing November 1, 2029.	\$ <u>1,774,905</u>
Total business-type activities	<u>\$ 2,016,487</u>

NOTE 6 - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - CONNECTION FEES RECEIVABLE:

As part of the wastewater treatment plant agreement all customers are required to connect to the system. The Town agreed to collect these fees over periods between five to ten years. At June 30, 2020, the Town had connection fees receivable in the amount of \$57,750. The following is a schedule of the annual repayments:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ <u>57,750</u>
Totals	<u>\$ 57,750</u>

TOWN OF WASHINGTON, VIRGINIA

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

NOTE 8 - LITIGATION:

At June 30, 2020, there were no matters of litigation involving the Town that would have an adverse material effect on its financial position should there be unfavorable rulings affecting the Town.

NOTE 9 - UPCOMING PRONOUNCEMENTS:

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

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

NOTE 10 - SUBSEQUENT EVENTS:

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. The Town of Washington, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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- Required Supplementary Information -

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Other local taxes	\$ 384,000	\$ 384,000	\$ 327,601	\$ (56,399)
Permits, privilege fees and regulatory licenses	100	100	115	15
Use of money and property	4,000	4,000	4,676	676
Miscellaneous	-	-	1,748	1,748
Intergovernmental revenue:				
Revenue from the Commonwealth	13,200	13,200	13,039	(161)
Total revenues	<u>\$ 401,300</u>	<u>\$ 401,300</u>	<u>\$ 347,179</u>	<u>\$ (54,121)</u>
Expenditures				
General government administration	\$ 214,050	\$ 214,050	\$ 176,174	\$ 37,876
Public safety	10,000	10,000	10,000	-
Public works	35,000	35,000	46,087	(11,087)
Community development	12,000	12,000	2,637	9,363
Capital projects	8,240	8,240	8,240	-
Total expenditures	<u>\$ 279,290</u>	<u>\$ 279,290</u>	<u>\$ 243,138</u>	<u>\$ 36,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 122,010</u>	<u>\$ 122,010</u>	<u>\$ 104,041</u>	<u>\$ (17,969)</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,702	\$ 1,702
Transfers out	(122,010)	(122,010)	(134,524)	(12,514)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,781)</u>	<u>\$ (28,781)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>504,090</u>	<u>504,090</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 475,309</u></u>	<u><u>\$ 475,309</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

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- Other Supplementary Information-

Supporting Schedules

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General Fund -

Schedule of Revenues - Budget and Actual

For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
Other local taxes:				
Local sales and use taxes	\$ 7,500	\$ 7,500	\$ 8,138	\$ 638
Meals and lodging tax	375,000	375,000	316,969	(58,031)
Franchise tax - utilities	1,500	1,500	2,494	994
Total other local taxes	<u>\$ 384,000</u>	<u>\$ 384,000</u>	<u>\$ 327,601</u>	<u>\$ (56,399)</u>
Permits, privilege fees and regulatory licenses:				
Permit fees	\$ 100	\$ 100	\$ 115	\$ 15
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 4,676</u>	<u>\$ 676</u>
Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,748</u>	<u>\$ 1,748</u>
Total revenue from local sources	<u>\$ 388,100</u>	<u>\$ 388,100</u>	<u>\$ 334,140</u>	<u>\$ (53,960)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 3,200	\$ 3,200	\$ 3,039	\$ (161)
Total noncategorical aid	<u>\$ 3,200</u>	<u>\$ 3,200</u>	<u>\$ 3,039</u>	<u>\$ (161)</u>
Categorical aid:				
Other categorical aid:				
Fire programs grant	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total categorical aid	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Total revenue from the Commonwealth	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 13,039</u>	<u>\$ (161)</u>
Total General Fund	<u>\$ 401,300</u>	<u>\$ 401,300</u>	<u>\$ 347,179</u>	<u>\$ (54,121)</u>

General Fund -
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2020

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>General Fund:</u>				
General government administration:				
Office and administration	\$ 214,050	\$ 214,050	\$ 176,174	\$ 37,876
Total general government administration	\$ 214,050	\$ 214,050	\$ 176,174	\$ 37,876
Public safety:				
Fire department	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total public safety	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Public Works:				
Operations and maintenance	\$ 35,000	\$ 35,000	\$ 46,087	\$ (11,087)
Total public works	\$ 35,000	\$ 35,000	\$ 46,087	\$ (11,087)
Planning and community development:				
Community development	\$ 12,000	\$ 12,000	\$ 2,637	\$ 9,363
Total planning and community development	\$ 12,000	\$ 12,000	\$ 2,637	\$ 9,363
Capital projects:				
Fire truck fund	\$ 8,240	\$ 8,240	\$ 8,240	\$ -
Total capital projects	\$ 8,240	\$ 8,240	\$ 8,240	\$ -
Total General Fund	\$ 279,290	\$ 279,290	\$ 243,138	\$ 36,152

- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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 Washington, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Washington, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Washington, Virginia's basic financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Washington, 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 Washington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington, 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 Town'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 Washington, 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 14, 2021