

TOWN OF TAPPAHANNOCK,  
VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023



**TOWN OF TAPPAHANNOCK, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2023**

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# TOWN OF TAPPAHANNOCK, VIRGINIA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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### TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-10
<b><u>Basic Financial Statements</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1 Statement of Net Position	11
Exhibit 2 Statement of Activities	12
<b>Fund Financial Statements:</b>	
Exhibit 3 Balance Sheet-Governmental Funds	13
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	15
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Exhibit 7 Statement of Net Position-Proprietary Fund	17
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund	18
Exhibit 9 Statement of Cash Flows-Proprietary Fund	19
Exhibit 10 Statement of Fiduciary Net Position-Fiduciary Fund	20
Exhibit 11 Statement of Changes in Fiduciary Net Position-Fiduciary Fund	21
Notes to Financial Statements	22-52

TOWN OF TAPPAHANNOCK, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023

---

TABLE OF CONTENTS (CONTINUED)

---

	<u>Page</u>
<b><u>Required Supplementary Information:</u></b>	
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-General Fund	53
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios-Pension Plan	54-55
Exhibit 14 Schedule of Employer Contributions-Pension Plan	56
Exhibit 15 Notes to Required Supplementary Information-Pension Plan	57
<b><u>Other Supplementary Information:</u></b>	
Exhibit 16 Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Capital Projects Fund	58
<b>Supporting Schedules:</b>	
Schedule 1 Schedule of Revenues-Budget and Actual-Governmental Funds	59-61
Schedule 2 Schedule of Expenditures-Budget and Actual-Governmental Funds	62-63
<b><u>Other Statistical Information:</u></b>	
Table 1 Government-Wide Expenses by Function-Last Ten Fiscal Years	64
Table 2 Government-Wide Revenues-Last Ten Fiscal Years	65
Table 3 General Governmental Expenditures by Function-Last Ten Fiscal Years	66
Table 4 General Governmental Revenues by Source-Last Ten Fiscal Years	67
Table 5 Property Tax Levies and Collections-Last Ten Fiscal Years	68
Table 6 Assessed Value of Taxable Property-Last Ten Fiscal Years	69
Table 7 Property Tax Rates-Last Ten Fiscal Years	70
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita-Last Ten Fiscal Years	71
Table 9 Computation of Legal Debt Margin	72

TOWN OF TAPPAHANNOCK, VIRGINIA

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023

---

TABLE OF CONTENTS (CONTINUED)

---

	Page
<b><u>Compliance Section:</u></b>	
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>	73-74
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	75-77
Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditures of Federal Awards	79
Schedule of Findings and Responses	80

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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tappahannock, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the of Tappahannock, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Tappahannock, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Change in Accounting Principles***

As described in Note 14 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement Nos. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

## ***Responsibilities of Management for the Financial Statements (Continued)***

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Tappahannock, Virginia's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, 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.

*Robinson, Fournier, Cox Associates*

Richmond, Virginia  
March 28, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2023. 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 \$14,252,883 (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 \$2,870,686 (Exhibit 5).

< As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$5,423,464, an increase of \$2,870,686 in comparison with the prior year.

< The combined long-term obligations increased \$2,114,275 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)

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### 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 \$14,252,883 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 7,402,321	\$3,951,296	\$ 848,329	\$ 737,105	\$ 8,250,650	\$ 4,688,401
Capital assets	4,226,835	3,658,128	12,671,671	12,602,985	16,898,506	16,261,113
Total assets	\$11,629,156	\$7,609,424	\$13,520,000	\$13,340,090	\$25,149,156	\$20,949,514
Deferred outflows of resources	\$ 308,226	\$ 404,653	\$ 106,474	\$ 136,429	\$ 414,700	\$ 541,082
Current liabilities	\$ 1,913,127	\$1,196,170	\$ 144,036	\$ 134,220	\$ 2,057,163	\$ 1,330,390
Long-term liabilities outstanding	4,268,112	1,724,468	4,775,067	5,204,436	9,043,179	6,928,904
Total liabilities	\$ 6,181,239	\$2,920,638	\$ 4,919,103	\$ 5,338,656	\$11,100,342	\$ 8,259,294
Deferred inflows of resources	\$ 132,433	\$ 621,283	\$ 78,198	\$ 208,847	\$ 210,631	\$ 830,130
Net position:						
Net investment in capital assets	\$ 328,800	\$2,013,257	\$ 8,022,780	\$ 7,440,079	\$ 8,351,580	\$ 9,453,336
Restricted for:						
Pension plan	-	143,398	-	48,750	-	192,148
Unrestricted	5,294,910	2,315,501	606,393	440,187	5,901,303	2,755,688
Total net position	\$ 5,623,710	\$4,472,156	\$ 8,629,173	\$ 7,929,016	\$14,252,883	\$12,401,172

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-wide Financial Analysis (Continued)**

During the current fiscal year, the Town's net position increased by \$1,851,711. 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	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 230,029	\$ 222,080	\$1,539,369	\$1,444,082	\$ 1,769,398	\$ 1,666,162
Operating grants and contributions	1,050,106	474,343	208,171	176,113	1,258,277	650,456
General revenues:						
General property taxes	541,320	489,454	-	-	541,320	489,454
Other local taxes	3,962,012	3,382,506	-	-	3,962,012	3,382,506
Grants and other contributions not restricted	151,031	148,097	-	-	151,031	148,097
Other general revenues	128,115	103,364	29,550	11,976	157,665	115,340
<b>Total revenues</b>	<b>\$ 6,062,613</b>	<b>\$4,819,844</b>	<b>\$1,777,090</b>	<b>\$1,632,171</b>	<b>\$ 7,839,703</b>	<b>\$ 6,452,015</b>
<b>Expenses:</b>						
General government administration						
	\$ 1,134,459	\$1,054,690	\$ -	\$ -	\$ 1,134,459	\$ 1,054,690
Public safety	1,273,783	1,053,298	-	-	1,273,783	1,053,298
Public works	1,014,381	880,497	2,134,239	1,816,158	3,148,620	2,696,655
Community development	276,051	26,900	-	-	276,051	26,900
Interest and other fiscal charges	155,079	57,983	-	-	155,079	57,983
<b>Total expenses</b>	<b>\$ 3,853,753</b>	<b>\$3,073,368</b>	<b>\$2,134,239</b>	<b>\$1,816,158</b>	<b>\$ 5,987,992</b>	<b>\$ 4,889,526</b>
Transfers	\$ (1,057,306)	\$ (634,065)	\$1,057,306	\$ 634,065	\$ -	\$ -
Change in net position	\$ 1,151,554	\$1,112,411	\$ 700,157	\$ 450,078	\$ 1,851,711	\$ 1,562,489
Beginning of year	4,472,156	3,359,745	7,929,016	7,478,938	12,401,172	10,838,683
End of year	<b>\$ 5,623,710</b>	<b>\$4,472,156</b>	<b>\$8,629,173</b>	<b>\$7,929,016</b>	<b>\$14,252,883</b>	<b>\$12,401,172</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **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 \$5,423,464, an increase of \$2,870,686 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 49% 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 \$606,393. Net position increased \$700,157. 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 (\$349,875). Budgeted expenditures exceeded actual expenditures and other uses by \$1,459,772, resulting in a positive variance of \$1,109,897.

### **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, 2023 amounts to \$4,226,835 and \$12,671,671, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, lease assets, and subscription assets.

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 \$8,546,926. Of this amount, \$7,351,023 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, lease liabilities, or financed equipment purchases).

During the current fiscal year, the carrying value of the Town's total debt increased by \$1,711,566.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **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 2024 fiscal year.

The fiscal year 2024 budget increased approximately 14% in comparison to 2023 due to federal American Rescue Plan Act grant expenditures. Property tax rates remained unchanged.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Tappahannock, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Post Office Box 266, Tappahannock, Virginia 22560.

## *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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,576,305	\$ 426,705	\$ 7,003,010
Investments	-	50,563	50,563
Restricted cash - customer deposits	-	71,205	71,205
Receivables (net of allowance for uncollectibles):			
Taxes receivable	116,835	-	116,835
Accounts receivable	227,274	313,387	540,661
Notes receivable	248,688	-	248,688
Internal balances	13,531	(13,531)	-
Due from other governmental units	219,688	-	219,688
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,108,389	-	2,108,389
Buildings and improvements	1,212,981	-	1,212,981
Utility plant in service	-	11,600,020	11,600,020
Machinery and equipment	578,666	874,323	1,452,989
Subscription assets	30,371	-	30,371
Lease equipment	29,484	-	29,484
Construction in progress	266,944	197,328	464,272
Total assets	<u>\$ 11,629,156</u>	<u>\$ 13,520,000</u>	<u>\$ 25,149,156</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 308,226	\$ 106,474	\$ 414,700
<b>LIABILITIES</b>			
Accounts payable	\$ 103,713	\$ 33,518	\$ 137,231
Accrued liabilities	45,439	15,626	61,065
Accrued interest payable	41,081	23,687	64,768
Unearned revenue	1,722,894	-	1,722,894
Customer deposits payable	-	71,205	71,205
Long-term liabilities:			
Due within one year	324,317	528,137	852,454
Due in more than one year	3,943,795	4,246,930	8,190,725
Total liabilities	<u>\$ 6,181,239</u>	<u>\$ 4,919,103</u>	<u>\$ 11,100,342</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 472	\$ -	\$ 472
Pension related items	131,961	78,198	210,159
Total deferred inflows of resources	<u>\$ 132,433</u>	<u>\$ 78,198</u>	<u>\$ 210,631</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 328,800	\$ 8,022,780	\$ 8,351,580
Unrestricted (deficit)	5,294,910	606,393	5,901,303
Total net position	<u>\$ 5,623,710</u>	<u>\$ 8,629,173</u>	<u>\$ 14,252,883</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, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,134,459	\$ 3,943	\$ 725,323	\$ (405,193)	\$ -	\$ (405,193)	
Public safety	1,273,783	21,430	196,379	(1,055,974)	-	(1,055,974)	
Public works	1,014,382	204,656	-	(809,726)	-	(809,726)	
Community development	276,051	-	128,404	(147,647)	-	(147,647)	
Interest on long-term debt	155,079	-	-	(155,079)	-	(155,079)	
Total governmental activities	\$ 3,853,753	\$ 230,029	\$ 1,050,106	\$ (2,573,618)	\$ -	\$ (2,573,618)	
Business-type activities:							
Water and Sewer	\$ 2,134,239	\$ 1,539,369	\$ 208,171	\$ -	\$ (386,699)	\$ (386,699)	
Total business-type activities	\$ 2,134,239	\$ 1,539,369	\$ 208,171	\$ -	\$ (386,699)	\$ (386,699)	
Total primary government	\$ 5,987,992	\$ 1,769,398	\$ 1,258,277	\$ -	\$ (386,699)	\$ (2,960,317)	
General revenues:							
General property taxes	\$ -	\$ -	\$ -	\$ 541,320	\$ -	\$ 541,320	
Other local taxes:							
Local sales and use taxes				377,672	-	377,672	
Business license taxes				787,044	-	787,044	
Bank stock tax				688,942	-	688,942	
Restaurant food taxes				1,539,591	-	1,539,591	
Other local taxes				568,763	-	568,763	
Unrestricted revenues from use of money and property				79,889	930	80,819	
Miscellaneous				48,226	28,620	76,846	
Grants and contributions not restricted to specific programs				151,031	-	151,031	
Transfers				(1,057,306)	1,057,306	-	
Total general revenues and transfers	\$ -	\$ -	\$ -	\$ 3,725,172	\$ 1,086,856	\$ 4,812,028	
Change in net position	\$ -	\$ -	\$ -	\$ 1,151,554	\$ 700,157	\$ 1,851,711	
Net position - beginning				\$ 4,472,156	\$ 7,929,016	\$ 12,401,172	
Net position - ending				\$ 5,623,710	\$ 8,629,173	\$ 14,252,883	

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, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,836,706	\$ 2,739,599	\$ 6,576,305
Receivables (net of allowance for uncollectibles):			
Taxes receivable	116,835	-	116,835
Accounts receivable	227,274	-	227,274
Notes receivable	248,688	-	248,688
Due from other funds	13,531	-	13,531
Due from other governmental units	219,688	\$ -	219,688
Total assets	<u>\$ 4,662,722</u>	<u>\$ 2,739,599</u>	<u>\$ 7,402,321</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 103,191	\$ 522	\$ 103,713
Accrued payroll	45,439	-	45,439
Unearned revenue - grant funds	1,722,894	-	1,722,894
Total liabilities	<u>\$ 1,871,524</u>	<u>\$ 522</u>	<u>\$ 1,872,046</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 106,811	\$ -	\$ 106,811
Total deferred inflows of resources	<u>\$ 106,811</u>	<u>\$ -</u>	<u>\$ 106,811</u>
<b>FUND BALANCES</b>			
Committed	\$ -	\$ 2,739,077	\$ 2,739,077
Unassigned	2,684,387	-	2,684,387
Total fund balances	<u>\$ 2,684,387</u>	<u>\$ 2,739,077</u>	<u>\$ 5,423,464</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,662,722</u>	<u>\$ 2,739,599</u>	<u>\$ 7,402,321</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, 2023**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,423,464
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,226,835
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		106,339
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		308,226
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	\$	(2,645,484)
General obligation note		(56,648)
Note payable		(1,105,883)
Financed purchases		(33,391)
Subscription liabilities		(26,683)
Lease liabilities		(29,946)
Accrued interest payable		(41,081)
Net pension liability		(277,444)
Compensated absences		(92,633)
		(4,309,193)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(131,961)
Net position of governmental activities	\$	5,623,710

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, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 500,213	\$ -	\$ 500,213
Other local taxes	3,962,012	-	3,962,012
Permits, privilege fees, and regulatory licenses	4,520	-	4,520
Fines and forfeitures	20,853	-	20,853
Revenue from the use of money and property	57,537	22,352	79,889
Charges for services	204,656	-	204,656
Miscellaneous	48,226	-	48,226
Intergovernmental:			
Commonwealth	356,857	-	356,857
Federal	693,382	150,898	844,280
Total revenues	<u>\$ 5,848,256</u>	<u>\$ 173,250</u>	<u>\$ 6,021,506</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,261,864	\$ -	\$ 1,261,864
Public safety	1,073,656	19,799	1,093,455
Public works	860,165	389,690	1,249,855
Community development	128,404	147,647	276,051
Nondepartmental	313,525	-	313,525
Debt service:			
Principal retirement	290,546	31,817	322,363
Interest and other fiscal charges	26,412	27,773	54,185
Bond issuance costs	-	70,160	70,160
Total expenditures	<u>\$ 3,954,572</u>	<u>\$ 686,886</u>	<u>\$ 4,641,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,893,684</u>	<u>\$ (513,636)</u>	<u>\$ 1,380,048</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 513,820	\$ 513,820
Transfers out	(1,571,126)	-	(1,571,126)
Issuance of general obligation bonds	-	2,250,000	2,250,000
Issuance of leases	23,047	-	23,047
Issuance of subscriptions	9,897	-	9,897
Issuance of notes payable	70,500	194,500	265,000
Total other financing sources (uses)	<u>\$ (1,467,682)</u>	<u>2,958,320</u>	<u>\$ 1,490,638</u>
Net change in fund balances	\$ 426,002	\$ 2,444,684	\$ 2,870,686
Fund balances - beginning	2,258,385	294,393	2,552,778
Fund balances - ending	<u>\$ 2,684,387</u>	<u>\$ 2,739,077</u>	<u>\$ 5,423,464</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, 2023

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

Net change in fund balances - total governmental funds \$ 2,870,686

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 capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 754,973	
Depreciation expense	(213,849)	541,124

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

Property taxes	41,107
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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 general obligation bonds	\$ (2,250,000)	
Issuance of notes payable	(265,000)	
Issuance of leases	(23,047)	
Issuance of subscriptions	(9,897)	
Principal retirement on general obligation bonds	125,963	
Principal retirement on general obligation note	83,852	
Principal retirement on notes payable	55,345	
Principal retirement on lease liabilities	11,303	
Principal retirement on subscription liabilities	10,797	
Principal retirement on financed purchases	35,103	(2,225,581)

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	\$ (13,036)	
Change in pension related items	(32,012)	
(Increase) decrease in accrued interest payable	(30,734)	(75,782)

Change in net position of governmental activities	\$ 1,151,554
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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, 2023

	<u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 426,705
Investments	50,563
Restricted cash - customer deposits	71,205
Accounts receivable, net of allowance for uncollectibles	313,387
Total current assets	<u>\$ 861,860</u>
Noncurrent assets:	
Other assets:	
Net pension asset	
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 11,600,020
Machinery and equipment	874,323
Construction in progress	197,328
Total capital assets, net of accumulated depreciation	<u>\$ 12,671,671</u>
Total noncurrent assets	<u>\$ 12,671,671</u>
Total assets	<u>\$ 13,533,531</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	<u>\$ 106,474</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 33,518
Accrued payroll	15,626
Accrued interest payable	23,687
Customer deposits payable	71,205
Due to general fund	13,531
Bonds and notes payable - current portion	523,067
Compensated absences - current portion	5,070
Total current liabilities	<u>\$ 685,704</u>
Noncurrent liabilities:	
Bonds and notes payable - net of current portion	\$ 4,125,824
Net pension liability	75,477
Compensated absences - net of current portion	45,629
Total noncurrent liabilities	<u>\$ 4,246,930</u>
Total liabilities	<u>\$ 4,932,634</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 78,198
Total deferred inflows of resources	<u>\$ 78,198</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 8,022,780
Unrestricted	606,393
Total net position	<u>\$ 8,629,173</u>

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, 2023

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	<u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenues	\$ 1,539,369
Other revenues	28,620
Total operating revenues	<u>\$ 1,567,989</u>
<b>OPERATING EXPENSES</b>	
Personnel services	\$ 524,592
Fringe benefits	230,247
Contractual services	66,373
Other supplies and expenses	599,424
Depreciation	629,845
Total operating expenses	<u>\$ 2,050,481</u>
Operating income (loss)	<u>\$ (482,492)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 930
Connection/availability fees	130,323
Local government contribution	47,848
USDA federal grant	30,000
Interest expense	(83,758)
Total nonoperating revenues (expenses)	<u>\$ 125,343</u>
Income (loss) before transfers	\$ (357,149)
Transfers in	<u>1,057,306</u>
Change in net position	\$ 700,157
Total net position - beginning	7,929,016
Total net position - ending	<u><u>\$ 8,629,173</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, 2023

	<u>Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,582,257
Payments for operating expenses	(653,255)
Payments to and for employees	(726,927)
Payments for interfund services used	13,531
Net cash provided by (used for) operating activities	<u>\$ 215,606</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 1,057,306
Local government contribution	47,848
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,105,154</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase and disposal of capital assets	\$ (698,531)
Capital grant contribution	30,000
Principal payments on bonds payable	(514,015)
Connection fees	130,323
Interest payments	(85,736)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,137,959)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 930
Purchase of investments	(26,179)
Net cash provided by (used for) investing activities	<u>\$ (25,249)</u>
Net increase (decrease) in cash and cash equivalents	\$ 157,552
Cash and cash equivalents - beginning, including restricted cash of \$67,163	340,358
Cash and cash equivalents - ending, including restricted cash of \$71,205	<u>\$ 497,910</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (482,492)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 629,845
(Increase) decrease in accounts receivable	10,225
(Increase) decrease in net pension asset/liability	124,227
(Increase) decrease in deferred outflows of pension related items	29,955
Increase (decrease) in customer deposits payable	4,043
Increase (decrease) in accounts payable	12,542
Increase (decrease) in accrued payroll	(4,790)
Increase (decrease) in compensated absences	9,169
Increase (decrease) in deferred inflows of pension related items	(130,649)
Increase (decrease) in due to other funds	13,531
Total adjustments	<u>\$ 698,098</u>
Net cash provided by (used for) operating activities	<u>\$ 215,606</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, 2023

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	Cemetery Private Purpose <u>Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Sale of cemetery lots	\$ 3,063
Investment earnings:	
Interest	\$ 2,766
Total additions	\$ 5,829
<b>DEDUCTIONS</b>	
Cemetery fees	\$ 14,314
Change in net position	\$ (8,485)
Net position - beginning	164,812
Net position - ending	\$ 156,327

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, 2023

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***Note 1—Summary of Significant Accounting Policies:***

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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 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)***

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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 government-wide financial statements to emphasize it is both legally and substantively separate from the government.

**B. Individual Component Unit Disclosures**

*Blended Component Units* - The Town has no blended component units at June 30, 2023.

*Discretely Presented Component Units* - The Town has no discretely presented component units at June 30, 2023.

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

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

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

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

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, 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 when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real 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.

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

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

1. Governmental Funds

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

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.

b. Capital Projects Fund

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

2. Proprietary Funds

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

Enterprise Funds

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

3. Fiduciary Funds - (Trust Funds)

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

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**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.

**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 \$43,706 at June 30, 2023 and is comprised of property taxes of \$21,381 and water, sewer, garbage, and service connection charges of \$22,325.

**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 are tangible and intangible assets, which include property, plant, equipment, lease assets, and subscription assets, and 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 assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

**G. Capital Assets (Continued)**

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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, are depreciated/amortized 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
Lease equipment	3-5
Subscription asset	4

**H. Leases and Subscription-Based IT Arrangements**

The Town has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

*Lessee*

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

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

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*Subscriptions*

The Town recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

*Key Estimates and Judgments*

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

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

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

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

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**I. Compensated Absences**

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

**J. 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.

**K. Net Position**

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

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

Sometimes the 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.

**L. 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)*

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**M. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

**N. 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.

**O. Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually 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 but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- 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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2023

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

**O. Fund Balance (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.

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, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by 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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund balances:			
Committed:			
Capital projects	\$ -	\$ 2,739,077	\$ 2,739,077
Unassigned	\$ 2,684,387	\$ -	\$ 2,684,387
Total fund balances	<u>\$ 2,684,387</u>	<u>\$ 2,739,077</u>	<u>\$ 5,423,464</u>

**P. 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.

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets 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 pension. For more detailed information on this item, reference the related note.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

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**Q. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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 pension and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

***Note 2—Stewardship, Compliance, and Accounting:***

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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. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, VPA Fund, and the County Capital Improvements Funds of the primary government and the School Operating Fund, School Cafeteria Fund, and School Capital Projects Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, every year.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.
9. Expenditures and Appropriations  
Expenditures did not exceed appropriations in any fund at June 30, 2023.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**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.

**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 & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Town’s rated debt investments as of June 30, 2023, were rated by Standard & Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAAf	
Local Government Investment Pool	\$ 1,275,087	\$ -	
Local Government Investment Pool Extended Maturity	-	1,165,721	
Total	\$ 1,275,087	\$ 1,165,721	

**Interest Rate Risk**

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Local Government Investment Pool	\$ 1,275,087	\$ 1,275,087	\$ -
Local Government Investment Pool Extended Maturity	1,165,721	-	1,165,721
Total	\$ 2,440,808	\$ 1,275,087	\$ 1,165,721

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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**Note 3—Deposits and Investments: (Continued)**

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External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and Local Government Investment Pool Extended Maturity - (LGIP EM)) is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As LGIP and LGIP EM are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The Town has measured fair value of the LGIP and LGIP EM investments at the net asset value (NAV). LGIP had no withdrawal limitations or restrictions imposed on participants. LGIP EM withdrawals can be made each Wednesday with requests provided to the Virginia State Treasury at least 5 business days in advance. The investment manager may limit LGIP EM withdrawals to ten percent of the portfolio's NAV on any single transaction date.

**Note 4—Due from Other Governments:**

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At June 30, 2023, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Essex	\$ 74,093
Commonwealth of Virginia:	
Communications tax	6,982
Rolling stock tax	5
Auto rental tax	10,129
Mobile home tax	75
Industrial revitalization grant	<u>128,404</u>
Total due from other governments	<u>\$ 219,688</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	GASB 96 Adjustments	Balance at July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Governmental activities:</i>						
Capital assets not subject to depreciation:						
Land and land improvements	\$ 2,108,389	\$ -	\$ 2,108,389	\$ -	\$ -	\$ 2,108,389
Construction in progress	67,730	-	67,730	199,214	-	266,944
Total capital assets not subject to depreciation	\$ 2,176,119	-	2,176,119	\$ 199,214	\$ -	\$ 2,375,333
Capital assets subject to depreciation:						
Buildings and improvements	\$ 2,122,251	\$ -	2,122,251	\$ 82,641	\$ -	\$ 2,204,892
Machinery and equipment	1,362,913	-	1,362,913	440,174	-	1,803,087
Subscription asset	-	27,583	27,583	9,897	-	37,480
Lease equipment	25,128	-	25,128	23,047	3,874	44,301
Total capital assets subject to depreciation	\$ 3,510,292	\$ 27,583	\$ 3,537,875	\$ 555,759	\$ 3,874	\$ 4,089,760
Accumulated depreciation:						
Buildings and improvements	\$ 936,651	\$ -	936,651	\$ 55,260	\$ -	\$ 991,911
Machinery and equipment	1,084,507	-	1,084,507	139,914	-	1,224,421
Subscription asset	-	-	-	7,109	-	7,109
Lease equipment	7,125	-	7,125	11,566	3,874	14,817
Total accumulated depreciation	\$ 2,028,283	\$ -	\$ 2,028,283	\$ 213,849	\$ 3,874	\$ 2,238,258
Total capital assets subject to depreciation, net	\$ 1,482,009	\$ 27,583	\$ 1,509,592	\$ 341,910	\$ -	\$ 1,851,502
Governmental activities capital assets, net	\$ 3,658,128	\$ 27,583	\$ 3,685,711	\$ 541,124	\$ -	\$ 4,226,835

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 299,405	\$ 687,306	\$ 789,383	\$ 197,328
Total capital assets not subject to depreciation	\$ 299,405	\$ 687,306	\$ 789,383	\$ 197,328
Capital assets subject to depreciation:				
Utility plant in service	\$ 23,342,668	\$ 5,725	\$ -	\$ 23,348,393
Machinery and equipment	459,301	794,883	-	1,254,184
Total capital assets subject to depreciation	\$ 23,801,969	\$ 800,608	\$ -	\$ 24,602,577
Accumulated depreciation:				
Utility plant in service	\$ 11,197,984	\$ 550,389	\$ -	\$ 11,748,373
Machinery and equipment	300,405	79,456	-	379,861
Total accumulated depreciation	\$ 11,498,389	\$ 629,845	\$ -	\$ 12,128,234
Total capital assets subject to depreciation, net	\$ 12,303,580	\$ 170,763	\$ -	\$ 12,474,343
Business-type activities capital assets, net	\$ 12,602,985	\$ 858,069	\$ 789,383	\$ 12,671,671

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 70,427
Public safety	66,331
Public works	75,701
Parks, recreation and cultural	1,390
Total depreciation expense - governmental activities	\$ 213,849
Business-type activities:	
Water and Sewer fund	\$ 629,845
Total depreciation expense - primary government	\$ 843,694

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 6—Long-term Obligations:**

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2023:

	Balance at July 1, 2022	GASB 96 Adjustments	Adjusted Balance at July 1, 2022	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2023	Amounts Due Within One Year
<b>Primary Government Obligations:</b>							
<b>Governmental Activities:</b>							
Compensated absences	\$ 79,597	\$ -	\$ 79,597	\$ 20,996	\$ 7,960	\$ 92,633	\$ 9,263
Net pension liability	-	-	-	455,167	177,723	277,444	-
Financed purchases	68,494	-	68,494	-	35,103	33,391	9,314
Subscription liabilities	-	27,583	27,583	9,897	10,797	26,683	8,626
Lease liabilities	18,202	-	18,202	23,047	11,303	29,946	8,970
<b>Direct borrowings and placements:</b>							
Notes payable	966,728	-	966,728	194,500	55,345	1,105,883	61,565
General obligation note	70,000	-	70,000	70,500	83,852	56,648	27,895
General obligation bonds	521,447	-	521,447	2,250,000	125,963	2,645,484	198,684
<b>Total Governmental Activities Obligations</b>	<b>\$ 1,724,468</b>	<b>\$ 27,583</b>	<b>\$ 1,752,051</b>	<b>\$ 3,024,107</b>	<b>\$ 508,046</b>	<b>\$ 4,268,112</b>	<b>\$ 324,317</b>
<b>Business-type Activities:</b>							
Compensated absences	\$ 41,530	\$ -	\$ 41,530	\$ 13,322	\$ 4,153	\$ 50,699	\$ 5,070
Note payable	44,804	-	44,804	-	9,517	35,287	10,614
Net pension liability	-	-	-	121,742	46,265	75,477	-
<b>Direct borrowings and placements:</b>							
General obligation bonds	5,118,102	-	5,118,102	-	504,498	4,613,604	512,453
<b>Total Business-type Activities Obligations</b>	<b>\$ 5,204,436</b>	<b>\$ -</b>	<b>\$ 5,204,436</b>	<b>\$ 135,064</b>	<b>\$ 564,433</b>	<b>\$ 4,775,067</b>	<b>\$ 528,137</b>
<b>Total Primary Government Obligations</b>	<b>\$ 6,928,904</b>	<b>\$ 27,583</b>	<b>\$ 6,956,487</b>	<b>\$ 3,159,171</b>	<b>\$ 1,072,479</b>	<b>\$ 9,043,179</b>	<b>\$ 852,454</b>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2023

**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											
	General Obligation Bond		General Obligation Note		Notes Payable		Financed Purchases		Subscription Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest (1)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 198,684	\$ 102,530	\$ 27,895	\$ 1,517	\$ 61,565	\$ 34,599	\$ 9,314	\$ 596	\$ 8,626	\$ 825	\$ 8,970	\$ 614
2025	100,800	94,433	28,753	659	63,596	32,568	9,493	417	8,892	558	7,837	433
2026	104,600	90,441	-	-	65,605	30,559	9,676	234	9,165	283	8,015	255
2027	109,500	86,281	-	-	122,308	27,834	4,908	47	-	-	5,124	89
2028	113,400	81,949	-	-	55,969	27,073	-	-	-	-	-	-
2029	118,300	77,445	-	-	57,861	25,181	-	-	-	-	-	-
2030	123,200	72,750	-	-	59,742	23,300	-	-	-	-	-	-
2031	127,200	67,882	-	-	61,690	21,353	-	-	-	-	-	-
2032	132,200	62,839	-	-	552,268	10,140	-	-	-	-	-	-
2033	138,300	57,579	-	-	5,279	29	-	-	-	-	-	-
2034	143,300	52,103	-	-	-	-	-	-	-	-	-	-
2035	117,000	46,982	-	-	-	-	-	-	-	-	-	-
2036	121,000	42,234	-	-	-	-	-	-	-	-	-	-
2037	126,000	37,307	-	-	-	-	-	-	-	-	-	-
2038	131,000	32,179	-	-	-	-	-	-	-	-	-	-
2039	137,000	26,833	-	-	-	-	-	-	-	-	-	-
2040	142,000	21,267	-	-	-	-	-	-	-	-	-	-
2041	148,000	15,481	-	-	-	-	-	-	-	-	-	-
2042	154,000	9,456	-	-	-	-	-	-	-	-	-	-
2043	160,000	3,192	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,645,484</b>	<b>\$ 1,081,163</b>	<b>\$ 56,648</b>	<b>\$ 2,176</b>	<b>\$ 1,105,883</b>	<b>\$ 232,636</b>	<b>\$ 33,391</b>	<b>\$ 1,294</b>	<b>\$ 26,683</b>	<b>\$ 1,666</b>	<b>\$ 29,946</b>	<b>\$ 1,391</b>

(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, 2023

*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		Note Payable	
	General Obligation Bonds		Principal	Interest
	Principal	Interest		
2024	\$ 512,453	\$ 71,338	\$ 10,614	\$ 666
2025	499,800	65,176	10,855	425
2026	872,296	55,264	11,102	178
2027	886,127	41,330	2,716	5
2028	398,578	32,273	-	-
2029	402,656	28,195	-	-
2030	406,847	24,004	-	-
2031	51,897	20,381	-	-
2032	53,561	18,717	-	-
2033	55,278	17,000	-	-
2034	57,050	15,228	-	-
2035	58,879	13,399	-	-
2036	60,766	11,511	-	-
2037	62,714	9,563	-	-
2038	64,725	7,552	-	-
2039	66,800	5,477	-	-
2040	68,942	3,336	-	-
2041	34,235	1,126	-	-
Total	\$ 4,613,604	\$ 440,870	\$ 35,287	\$ 1,274

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 6—Long-term Obligations: (Continued)**

Primary Government Obligations:

	Interest Rates	Payment Frequency	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Outstanding	Amount Due Within One Year
<b>Governmental Activities:</b>							
Direct borrowings and placements:							
General obligation bond - VML through BB&T	2.05%	semi-annual	04/23/13	2024	\$ 996,409	\$ 104,684	\$ 104,684
General obligation bond - VML VACO	3.53%	semi-annual	10/16/18	2034	371,500	290,800	22,000
General obligation bond - Citizens and Farmers	3.99%	semi-annual	04/18/23	2043	2,250,000	2,250,000	72,000
General obligation note - VML VACO	Variable	annual	04/01/05	2025	450,000	56,648	27,895
Total general obligation bonds and notes						\$ 2,702,132	\$ 226,579
Note payable - Union Bank and Trust for park land	3.88%	monthly	08/11/16	2021	165,409	\$ 101,667	\$ 10,964
Note payable - United Bank for property	3.25%	monthly	11/08/21	2032	870,000	822,697	32,806
Note payable - USDA for sanitation truck	2.25%	monthly	08/24/22	2033	123,500	114,201	11,367
Note payable - USDA for tractor & mower	2.50%	monthly	11/07/22	2033	71,000	67,318	6,428
Total notes payable						\$ 1,105,883	\$ 61,565
Other long-term obligations:							
Financed purchases:							
Equipment purchase agreement	1.919%	semi-annual	10/19/21	2027	47,000	\$ 33,391	\$ 9,314
Total financed purchases						\$ 33,391	\$ 9,314
Subscriptions liabilities:							
Subscription liability - dispatch software	3.559%	monthly	07/01/22	2027	9,897	\$ 6,150	\$ 1,978
Subscription liability - financial software	2.895%	monthly	03/31/23	2027	27,583	20,533	6,648
Total subscription liabilities						\$ 26,683	\$ 8,626
Lease liabilities:							
Equipment lease - postage equipment	0.80%	quarterly	07/01/21	2024	4,849	\$ 1,308	\$ 1,308
Equipment lease - copier	0.625%	monthly	07/01/21	2026	16,405	10,072	3,221
Equipment lease - postage equipment	0.243%	monthly	07/01/22	2027	23,047	18,566	4,441
Total lease liabilities						\$ 29,946	\$ 8,970
Other long-term obligations:							
Compensated absences						\$ 92,633	\$ 9,263
Net pension liability						277,444	-
Total Obligations - Governmental Activities						\$ 4,268,112	\$ 324,317
<b>Business-type Activities:</b>							
Direct borrowings and placements:							
General obligation bond - VRA	0%	semi-annual	05/01/08	2030	\$4,993,434	\$ 1,734,197	\$ 247,742
General obligation bond - VML VACO	2.10%	semi-annual	03/15/10	2030	1,585,000	708,710	93,972
General obligation bond - BB&T	2.05%	semi-annual	04/23/13	2024	193,591	20,315	20,315
General obligation bond - Essex Bank	3.125%	semi-annual	07/17/20	2041	545,000	476,086	21,612
General obligation bond - Blue Ridge Bank	3.24%	semi-annual	03/30/21	2041	518,500	479,601	20,000
General obligation refunding bond - Truist Bank	2.07%	semi-annual	05/06/21	2041	1,464,000	1,194,695	108,812
Total general obligation bonds						\$ 4,613,604	\$ 512,453
Note Payable	2.25%	monthly	08/13/21	2027	53,300	\$ 35,287	\$ 10,614
Other long-term obligations:							
Compensated absences						\$ 50,699	\$ 5,070
Net pension liability						75,477	-
Total Obligations - Business-type Activities						\$ 4,775,067	\$ 528,137
Total - Primary Government						\$ 9,043,179	\$ 852,454

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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**Note 7—Deferred/Unavailable Revenue:**

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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 \$106,811 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$106,339 at June 30, 2023.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2023 but paid in advance by the taxpayers totaled \$472 at June 30, 2023.

**Note 8—Litigation:**

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At June 30, 2023, 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 9—Risk Management:**

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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 10—Pension Plan:**

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**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.

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*Note 10—Pension Plan: (Continued)*

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***Benefit Structures***

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

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

***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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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*Note 10—Pension Plan: (Continued)*

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	17
Inactive members:	
Vested inactive members	2
Non-vested inactive members	13
Inactive members active elsewhere in VRS	8
Total inactive members	<u>23</u>
Active members	<u>32</u>
Total covered employees	<u><u>72</u></u>

***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, 2023 was 12.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$186,463 and \$123,250 for the years ended June 30, 2023 and June 30, 2022, respectively.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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*Note 10—Pension Plan: (Continued)*

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**Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

**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, 2021, 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, 2022.

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

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

**Mortality Improvement:**

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2023

*Note 10—Pension Plan: (Continued)*

**Actuarial Assumptions - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**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, 2021, 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, 2022.

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

*Note 10—Pension Plan: (Continued)*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Note 10—Pension Plan: (Continued)*

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

*Note 10—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, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	\$ 6,887,600	\$ 7,079,748	\$ (192,148)
Changes for the year:			
Service cost	\$ 167,438	\$ -	\$ 167,438
Interest	464,912	-	464,912
Differences between expected and actual experience	118,397	-	118,397
Contributions - employer	-	146,571	(146,571)
Contributions - employee	-	69,597	(69,597)
Net investment income	-	(6,242)	6,242
Benefit payments, including refunds	(334,903)	(334,903)	-
Administrative expenses	-	(4,411)	4,411
Other changes	-	163	(163)
Net changes	\$ 415,844	\$ (129,225)	\$ 545,069
Balances at June 30, 2022	\$ 7,303,444	\$ 6,950,523	\$ 352,921

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2023

*Note 10—Pension Plan: (Continued)*

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset) \$	1,320,065	\$ 352,921	\$ (437,019)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$265,329. At June 30, 2023, 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	\$ 143,579	\$ -
Change in assumptions	77,306	-
Net difference between projected and actual earnings on pension plan investments	-	202,807
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,352	7,352
Employer contributions subsequent to the measurement date	186,463	-
Total	\$ 414,700	\$ 210,159

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 10—Pension Plan: (Continued)**

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

\$186,463 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, 2024. 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>		
2024	\$	70,780
2025		(27,099)
2026		(121,597)
2027		95,994
2028		-
Thereafter		-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Note 11-Surety Bonds:**

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

**Note 12-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 1,571,126
Capital projects	513,820	-
Water and Sewer	1,057,306	-
Total	\$ 1,571,126	\$ 1,571,126

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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**Note 12-Interfund Transfers: (Continued)**

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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 13-Line of Duty Act (LODA) (OPEB Benefits):**

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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, 2023 was \$3,623.

**Note 14-Adoption of Accounting Principles:**

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The Town implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscription(s):

Primary Government:	Governmental Activities
Subscription asset	\$ 27,583
Subscription liability	\$ 27,583

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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**Note 15-Upcoming Pronouncements:**

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Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

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

**Implementation Guide No. 2021-1, *Implementation Guidance Update–2021***, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

**Implementation Guide No. 2023-1, *Implementation Guidance Update–2023***, effective for fiscal years beginning after June 15, 2023.

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

**Note 16-Subsequent Event:**

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**ARPA Funding**

On March 11, 2022, the American Rescue Plan (ARPA) Act of 2022 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments were to receive funds in two tranches, with 50% provided beginning in May 2023 and the balance delivered approximately 12 months later.

In June 2022, the Town received its share of the first half of the CSLFRF funds. The Town received its share of the second half payment in July 2023. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,472,894 from ARPA funds are reported as unearned revenue as of June 30.

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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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 488,805	\$ 488,805	\$ 500,213	\$ 11,408
Other local taxes	3,183,942	3,183,942	3,962,012	778,070
Permits, privilege fees, and regulatory licenses	1,745	1,745	4,520	2,775
Fines and forfeitures	13,440	13,440	20,853	7,413
Revenue from the use of money and property	72,800	72,800	57,537	(15,263)
Charges for services	188,975	188,975	204,656	15,681
Miscellaneous	22,840	22,840	48,226	25,386
Intergovernmental:				
Commonwealth	168,828	168,828	356,857	188,029
Federal	2,160,200	2,160,200	693,382	(1,466,818)
Total revenues	\$ 6,301,575	\$ 6,301,575	\$ 5,848,256	\$ (453,319)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,138,184	\$ 1,138,184	\$ 1,261,864	\$ (123,680)
Public safety	1,122,820	1,122,820	1,073,656	49,164
Public works	1,000,343	1,000,343	860,165	140,178
Community development	-	-	128,404	(128,404)
Nondepartmental	2,574,323	2,574,323	313,525	2,260,798
Debt service:				
Principal retirement	240,391	240,391	290,546	(50,155)
Interest and other fiscal charges	25,589	25,589	26,412	(823)
Total expenditures	\$ 6,101,650	\$ 6,101,650	\$ 3,954,572	\$ 2,147,078
Excess (deficiency) of revenues over (under) expenditures	\$ 199,925	\$ 199,925	\$ 1,893,684	\$ 1,693,759
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (883,820)	\$ (883,820)	\$ (1,571,126)	\$ (687,306)
Issuance of leases	-	-	23,047	23,047
Issuance of subscriptions	-	-	9,897	9,897
Issuance of notes payable	-	-	70,500	70,500
Total other financing sources (uses)	\$ (883,820)	\$ (883,820)	\$ (1,467,682)	\$ (583,862)
Net change in fund balances	\$ (683,895)	\$ (683,895)	\$ 426,002	\$ 1,109,897
Fund balances - beginning	683,895	683,895	2,258,385	1,574,490
Fund balances - ending	\$ -	\$ -	\$ 2,684,387	\$ 2,684,387

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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total pension liability</b>			
Service cost	\$ 167,438	\$ 156,850	\$ 139,844
Interest	464,912	418,589	368,832
Changes in benefit terms	-	-	-
Changes of assumptions	-	200,016	-
Differences between expected and actual experience	118,397	63,861	511,074
Benefit payments	(334,903)	(306,057)	(259,163)
<b>Net change in total pension liability</b>	<u>\$ 415,844</u>	<u>\$ 533,259</u>	<u>\$ 760,587</u>
<b>Total pension liability - beginning</b>	<u>6,887,600</u>	<u>6,354,341</u>	<u>5,593,754</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 7,303,444</u></u>	<u><u>\$ 6,887,600</u></u>	<u><u>\$ 6,354,341</u></u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 146,571	\$ 117,288	\$ 66,094
Contributions - employee	69,597	65,451	60,090
Net investment income	(6,242)	1,541,772	108,771
Benefit payments	(334,903)	(306,057)	(259,163)
Administrator charges	(4,411)	(3,851)	(3,732)
Other	163	145	(128)
<b>Net change in plan fiduciary net position</b>	<u>\$ (129,225)</u>	<u>\$ 1,414,748</u>	<u>\$ (28,068)</u>
<b>Plan fiduciary net position - beginning</b>	<u>7,079,748</u>	<u>5,665,000</u>	<u>5,693,068</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 6,950,523</u></u>	<u><u>\$ 7,079,748</u></u>	<u><u>\$ 5,665,000</u></u>
 <b>Town's net pension liability (asset) - ending (a) - (b)</b>	 <u>\$ 352,921</u>	 <u>\$ (192,148)</u>	 <u>\$ 689,341</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 95.17%	 102.79%	 89.15%
 <b>Covered payroll</b>	 <u>\$ 1,406,328</u>	 <u>\$ 1,320,446</u>	 <u>\$ 1,254,802</u>
 <b>Town's net pension liability (asset) as a percentage of covered payroll</b>	 25.10%	 -14.55%	 54.94%

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.

Exhibit 13

	2019	2018	2017	2016	2015	2014
\$	119,856	\$ 122,521	\$ 127,232	\$ 111,978	\$ 127,043	\$ 120,777
	373,427	376,527	346,351	343,664	332,321	313,729
	-	-	339,327	-	-	-
	167,847	-	(95,542)	-	-	-
	(289,974)	(298,701)	(53,632)	(131,191)	(4,640)	-
	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
\$	146,996	\$ (64,751)	\$ 463,548	\$ (47,506)	\$ 241,328	\$ 310,099
	5,446,758	5,511,509	5,047,961	5,095,467	4,854,139	4,544,040
\$	<u>5,593,754</u>	<u>5,446,758</u>	<u>5,511,509</u>	<u>5,047,961</u>	<u>5,095,467</u>	<u>4,854,139</u>
\$	67,416	\$ 100,641	\$ 102,506	\$ 92,300	\$ 91,197	\$ 106,239
	60,782	60,102	61,345	61,857	61,405	67,081
	361,408	381,171	564,952	78,795	210,894	628,737
	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
	(3,590)	(3,325)	(3,232)	(3,051)	(2,909)	(3,315)
	(227)	(337)	(504)	(34)	(46)	33
\$	261,629	\$ 273,154	\$ 524,879	\$ (142,090)	\$ 147,145	\$ 674,368
	5,431,439	5,158,285	4,633,406	4,775,496	4,628,351	3,953,983
\$	<u>5,693,068</u>	<u>5,431,439</u>	<u>5,158,285</u>	<u>4,633,406</u>	<u>4,775,496</u>	<u>4,628,351</u>
\$	(99,314)	\$ 15,319	\$ 353,224	\$ 414,555	\$ 319,971	\$ 225,788
	101.78%	99.72%	93.59%	91.79%	93.72%	95.35%
\$	1,263,697	\$ 1,230,149	\$ 1,251,059	\$ 1,263,195	\$ 1,236,201	\$ 1,313,717
	-7.86%	1.25%	28.23%	32.82%	25.88%	17.19%

Town of Tappahannock, Virginia  
 Schedule of Employer Contributions  
 Pension Plan

For the Years Ended June 30, 2014 through June 30, 2023

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)
<b>Primary Government</b>					
2023	\$ 186,463	\$ 186,463	-	\$ 1,617,116	11.53%
2022	123,250	123,250	-	1,406,328	8.76%
2021	117,288	117,288	-	1,320,446	8.88%
2020	66,010	66,010	-	1,254,802	5.26%
2019	67,780	67,780	-	1,263,697	5.36%
2018	100,641	100,641	-	1,230,149	8.18%
2017	102,506	102,506	-	1,251,059	8.19%
2016	93,603	93,603	-	1,263,195	7.41%
2015	91,602	91,602	-	1,236,201	7.41%
2014	101,944	101,944	-	1,313,717	7.76%

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

Contributions are from Virginia Retirement System records.

Town of Tappahannock, Virginia  
 Notes to Required Supplementary Information  
 Pension Plan  
 For the Year Ended June 30, 2023

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**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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

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*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, 2023

	Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 22,352	\$ 22,352
Intergovernmental:				
Federal	645,960	645,960	150,898	(495,062)
Total revenues	<u>\$ 645,960</u>	<u>\$ 645,960</u>	<u>\$ 173,250</u>	<u>\$ (472,710)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 211,680	\$ 211,680	\$ 19,799	\$ 191,881
Public works	399,793	399,793	389,690	10,103
Community development	2,066,906	2,066,906	147,647	1,919,259
Debt service:				
Principal retirement	\$ 32,880	\$ 32,880	\$ 31,817	\$ 1,063
Interest and other fiscal charges	29,161	29,161	27,773	1,388
Bond issuance costs	-	-	70,160	(70,160)
Total expenditures	<u>\$ 2,740,420</u>	<u>\$ 2,740,420</u>	<u>\$ 686,886</u>	<u>\$ 2,053,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,094,460)</u>	<u>\$ (2,094,460)</u>	<u>\$ (513,636)</u>	<u>\$ 1,580,824</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 513,820	\$ 513,820	\$ 513,820	\$ -
Proceeds of general obligation bonds	-	-	2,250,000	2,250,000
Issuance of notes payable	1,566,950	1,566,950	194,500	(1,372,450)
Total other financing sources (uses)	<u>\$ 2,080,770</u>	<u>\$ 2,080,770</u>	<u>\$ 2,958,320</u>	<u>\$ 877,550</u>
Net change in fund balances	\$ (13,690)	\$ (13,690)	\$ 2,444,684	\$ 2,458,374
Fund balances - beginning	38,690	38,690	294,393	255,703
Fund balances - ending	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 2,739,077</u>	<u>\$ 2,714,077</u>

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## *SUPPORTING SCHEDULES*

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Town of Tappahannock, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2023

Schedule 1  
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 249,355	\$ 249,355	\$ 262,646	\$ 13,291
Real and personal public service corporation taxes	6,560	6,560	-	(6,560)
Personal property taxes	230,160	230,160	231,991	1,831
Penalties	1,585	1,585	3,883	2,298
Interest and fees	1,145	1,145	1,693	548
Total general property taxes	<u>\$ 488,805</u>	<u>\$ 488,805</u>	<u>\$ 500,213</u>	<u>\$ 11,408</u>
Other local taxes:				
Local sales and use taxes	\$ 335,190	\$ 335,190	\$ 377,672	\$ 42,482
Consumers' utility taxes	51,030	51,030	58,538	7,508
Consumption tax	13,498	13,498	13,339	(159)
Business license taxes	622,925	622,925	787,044	164,119
Tobacco tax	98,375	98,375	120,839	22,464
Motor vehicle licenses	58,895	58,895	53,283	(5,612)
Bank stock taxes	593,714	593,714	688,942	95,228
Hotel and motel room taxes	198,530	198,530	322,764	124,234
Restaurant food taxes	1,211,785	1,211,785	1,539,591	327,806
Total other local taxes	<u>\$ 3,183,942</u>	<u>\$ 3,183,942</u>	<u>\$ 3,962,012</u>	<u>\$ 778,070</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 577	\$ 77
Permits and other licenses	1,245	1,245	3,943	2,698
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,745</u>	<u>\$ 1,745</u>	<u>\$ 4,520</u>	<u>\$ 2,775</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 13,440	\$ 13,440	\$ 20,853	\$ 7,413
Revenue from use of money and property:				
Revenue from use of money	\$ 400	\$ 400	\$ 57,137	\$ 56,737
Revenue from use of property	72,400	72,400	400	(72,000)
Total revenue from use of money and property	<u>\$ 72,800</u>	<u>\$ 72,800</u>	<u>\$ 57,537</u>	<u>\$ (15,263)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 188,975	\$ 188,975	\$ 204,656	\$ 15,681
Miscellaneous:				
Miscellaneous	\$ 22,840	\$ 22,840	\$ 48,226	\$ 25,386
Total revenue from local sources	<u>\$ 3,972,547</u>	<u>\$ 3,972,547</u>	<u>\$ 4,798,017</u>	<u>\$ 825,470</u>

Town of Tappahannock, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2023

Schedule 1  
 Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 75	\$ 75
Communications tax	46,658	46,658	43,973	(2,685)
Auto rental tax	-	-	52,806	52,806
Rolling stock tax	-	-	5	5
Personal property tax relief funds	54,170	54,170	54,172	2
Total noncategorical aid	<u>\$ 100,828</u>	<u>\$ 100,828</u>	<u>\$ 151,031</u>	<u>\$ 50,203</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ 53,000	\$ 53,000	\$ 62,422	\$ 9,422
Industrial revitalization	-	-	128,404	128,404
Fire programs	15,000	15,000	15,000	-
Total other categorical aid	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 205,826</u>	<u>\$ 137,826</u>
Total categorical aid	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 205,826</u>	<u>\$ 137,826</u>
Total revenue from the Commonwealth	<u>\$ 168,828</u>	<u>\$ 168,828</u>	<u>\$ 356,857</u>	<u>\$ 188,029</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 6,076	\$ 6,076
COVID-19 American Rescue Plan Act	2,160,200	2,160,200	687,306	(1,472,894)
Total other categorical aid	<u>\$ 2,160,200</u>	<u>\$ 2,160,200</u>	<u>\$ 693,382</u>	<u>\$ (1,466,818)</u>
Total revenue from the federal government	<u>\$ 2,160,200</u>	<u>\$ 2,160,200</u>	<u>\$ 693,382</u>	<u>\$ (1,466,818)</u>
Total General Fund	<u>\$ 6,301,575</u>	<u>\$ 6,301,575</u>	<u>\$ 5,848,256</u>	<u>\$ (453,319)</u>

Town of Tappahannock, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2023

Schedule 1  
 Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 22,352	\$ 22,352
<hr/>				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Byrne Justice Assistance Grant	\$ -	\$ -	15,981	\$ 15,981
Community development block grant	-	-	38,017	38,017
USDA grants	645,960	645,960	96,900	(549,060)
Total categorical aid	<u>\$ 645,960</u>	<u>\$ 645,960</u>	<u>\$ 150,898</u>	<u>\$ (495,062)</u>
Total revenue from the federal government	<u>\$ 645,960</u>	<u>\$ 645,960</u>	<u>\$ 150,898</u>	<u>\$ (495,062)</u>
Total Capital Projects Fund	<u>\$ 645,960</u>	<u>\$ 645,960</u>	<u>\$ 173,250</u>	<u>\$ (472,710)</u>
Total Revenues -- Primary Government	<u>\$ 6,947,535</u>	<u>\$ 6,947,535</u>	<u>\$ 6,021,506</u>	<u>\$ (926,029)</u>

Town of Tappahannock, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2023

<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>
<b>General Fund:</b>				
General government administration:				
General and financial administration:				
Administration	\$ 1,138,184	\$ 1,138,184	\$ 1,261,864	\$ (123,680)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,004,030	\$ 1,004,030	\$ 949,866	\$ 54,164
Fire and rescue services:				
Fire department	\$ 108,790	\$ 108,790	\$ 113,790	\$ (5,000)
Ambulance and rescue services	10,000	10,000	10,000	-
Total fire and rescue services	\$ 118,790	\$ 118,790	\$ 123,790	\$ (5,000)
Total public safety	\$ 1,122,820	\$ 1,122,820	\$ 1,073,656	\$ 49,164
Public works:				
Public works	\$ 1,000,343	\$ 1,000,343	\$ 860,165	\$ 140,178
Community development:				
Planning and community development:				
Industrial revitalization	\$ -	\$ -	\$ 128,404	\$ (128,404)
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Unclassified	\$ 2,574,323	\$ 2,574,323	\$ 313,525	\$ 2,260,798
Debt service:				
Principal retirement	\$ 240,391	\$ 240,391	\$ 290,546	\$ (50,155)
Interest and other fiscal charges	25,589	25,589	26,412	(823)
Total debt service	\$ 265,980	\$ 265,980	\$ 316,958	\$ (50,978)
Total General Fund	\$ 6,101,650	\$ 6,101,650	\$ 3,954,572	\$ 2,147,078

Town of Tappahannock, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2023

<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>
<b>Capital Projects Fund:</b>				
Public Safety:				
Law enforcement and traffic control:				
Police equipment	\$ 211,680	\$ 211,680	\$ 19,799	\$ 191,881
Public Works:				
Public works:				
Miscellaneous	\$ 399,793	\$ 399,793	\$ 389,690	\$ 10,103
Planning and Community Development:				
Community Development:				
Revitalization	\$ 2,066,906	\$ 2,066,906	\$ 147,647	\$ 1,919,259
Debt service:				
Principal retirement	\$ 32,880	\$ 32,880	\$ 31,817	\$ 1,063
Interest and other fiscal charges	29,161	29,161	27,773	1,388
Issuance costs	-	-	70,160	(70,160)
Total debt service	\$ 62,041	\$ 62,041	\$ 129,750	\$ (67,709)
Total Capital Projects Fund	\$ 2,740,420	\$ 2,740,420	\$ 686,886	\$ 2,053,534
Total Expenditures -- Primary Government	\$ 8,842,070	\$ 8,842,070	\$ 4,641,458	\$ 4,200,612

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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					Interest		Total
	Government Administration	Public Safety	Public Works	Community Development	on Long-Term Debt	Water and Sewer		
2014	\$ 671,654	\$ 840,205	\$ 630,687	\$ -	\$ 38,537	\$ 1,729,926	\$ 3,911,009	
2015	649,693	886,019	728,566	-	30,957	1,680,746	3,975,981	
2016	202,129	885,425	677,189	5,587	35,848	1,599,633	3,405,811	
2017	694,424	929,503	759,408	-	36,748	1,614,024	4,034,107	
2018	806,533	1,077,311	843,817	-	34,139	1,600,444	4,362,244	
2019	584,429	995,823	747,816	-	56,917	1,511,670	3,896,655	
2020	710,259	907,958	721,837	-	35,355	1,585,517	3,960,926	
2021	837,438	1,011,016	781,936	-	29,154	1,733,079	4,392,623	
2022	1,054,690	1,053,298	880,497	26,900	57,983	1,816,158	4,889,526	
2023	1,134,459	1,273,783	1,014,382	276,051	155,079	2,134,239	5,987,992	

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				
2014	\$ 1,358,784	\$ 263,421	\$ 392,453	\$ 1,989,336	\$ 1,298	\$ 33,635	\$ 151,049	\$ 4,189,976			
2015	1,332,238	252,157	415,256	2,056,220	1,225	136,853	149,152	4,343,101			
2016	1,395,141	275,131	401,916	2,177,374	1,220	30,336	162,892	4,444,010			
2017	1,348,333	253,932	425,066	2,198,610	1,378	19,337	165,442	4,412,098			
2018	1,358,346	244,860	411,625	2,058,009	1,007	25,443	157,077	4,256,367			
2019	1,327,951	275,951	422,979	2,116,511	2,023	14,705	153,726	4,313,846			
2020	1,303,637	294,600	401,319	2,325,164	96,781	34,848	141,886	4,598,235			
2021	1,536,551	379,227	398,294	2,680,531	439	47,650	156,877	5,199,569			
2022	1,666,162	589,301	489,454	3,382,506	64,427	50,913	209,252	6,452,015			
2023	1,769,398	1,258,277	541,320	3,962,012	80,819	76,846	151,031	7,839,703			

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	Community Development	Debt Service	Non-departmental	Total
2014	\$ 607,297	\$ 873,146	\$ 758,177	\$ -	\$ 232,935	\$ 57,749	\$ 2,529,304
2015	621,635	811,848	926,522	-	334,423	97,984	2,792,412
2016	646,375	878,193	671,461	-	223,579	59,099	2,478,707
2017	613,088	864,902	790,484	-	225,672	62,444	2,556,590
2018	723,493	940,990	695,895	-	239,048	65,538	2,664,964
2019	707,401	1,213,249	721,655	-	260,448	63,074	2,965,827
2020	687,084	949,670	699,796	-	261,432	60,593	2,658,575
2021	781,551	1,034,712	737,512	-	273,826	49,725	2,877,326
2022	1,925,509	1,031,926	826,883	-	589,145	151,276	4,524,739
2023	1,261,864	1,073,656	860,165	128,404	316,958	313,525	3,954,572

(1) Includes General Fund of the Primary Government.

(2) Excludes Capital Projects Fund.

**Town of Tappahannock, Virginia**  
**General Governmental Revenues by Source (1,2)**  
**Last Ten Fiscal Years**

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2014	\$ 407,794	\$ 1,989,336	\$ 2,907	\$ 21,232	\$ 720	\$ 87,536	\$ 33,635	\$ -	\$ 231,301	\$ 2,774,461
2015	398,395	2,056,220	2,086	15,366	698	85,619	210,850	-	215,654	2,984,888
2016	397,645	2,177,374	3,005	33,667	647	92,301	18,336	-	244,517	2,967,492
2017	427,039	2,198,610	2,255	21,281	726	90,357	19,337	-	233,338	2,992,943
2018	410,948	2,058,009	3,349	31,387	345	87,935	25,443	-	224,610	2,842,026
2019	415,984	2,116,511	2,850	38,901	937	87,888	14,705	-	221,730	2,899,506
2020	395,781	2,325,164	3,339	23,864	96,581	89,668	14,848	-	219,255	3,168,500
2021	410,462	2,680,531	4,219	13,179	378	87,584	47,650	41,714	248,981	3,534,698
2022	456,493	3,382,506	4,661	14,710	72,677	202,709	38,597	-	561,285	4,733,638
2023	500,213	3,962,012	4,520	20,853	57,537	204,656	48,226	-	1,050,239	5,848,256

(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	
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes to Tax Levy
2014	\$ 445,037	\$ 439,111	98.67%	\$ 14,062	\$ 453,173	101.83%	\$ 34,210
2015	450,889	427,870	94.89%	18,449	446,319	98.99%	34,189
2016	454,455	431,797	95.01%	10,482	442,279	97.32%	43,193
2017	467,957	449,770	96.11%	19,370	469,140	100.25%	43,253
2018	457,317	448,211	98.01%	8,082	456,293	99.78%	50,511
2019	454,448	443,523	97.60%	15,684	459,207	101.05%	53,624
2020	455,939	430,705	94.47%	12,217	442,922	97.15%	58,073
2021	464,760	442,208	95.15%	17,455	459,663	98.90%	62,210
2022	531,329	470,959	88.64%	34,737	505,696	95.18%	62,210
2023	627,503	514,072	81.92%	34,737	548,809	87.46%	62,210

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

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

Table 6

**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	Personal Property	Personal Property	
2014	\$ 260,281,840	\$ 14,328,837	\$ -	\$ 920,425	\$ 830,800	\$ 5,605,066	\$ 8,154	\$ 281,975,122	
2015	260,131,540	13,966,912	-	930,625	852,500	5,907,408	8,154	281,797,139	
2016	260,557,640	14,389,007	-	703,750	844,400	6,149,796	-	282,644,593	
2017	260,843,554	15,202,077	-	1,006,075	876,475	6,150,232	-	284,078,413	
2018	250,810,100	12,116,029	14,596,700	5,795,650	650,562	6,320,061	-	290,289,102	
2019	251,253,000	11,658,830	15,419,255	5,796,550	656,852	6,576,372	6,574	291,367,433	
2020	251,728,000	11,773,700	15,376,975	5,680,050	673,777	6,486,103	5,951	291,724,556	
2021	251,929,400	11,905,970	16,582,324	7,691,475	678,250	6,486,103	-	295,273,522	
2022	277,288,401	14,819,455	15,174,520	8,906,600	674,825	6,966,612	-	323,830,413	
2023	290,290,592	17,110,566	20,377,295	9,274,810	783,400	5,865,518	-	343,702,181	

(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
2014	\$ 0.10	\$ 1.25	\$ -	\$ 1.00	\$ 0.10	\$ 0.10	\$ 1.25
2015	0.10	1.25	-	1.00	0.10	0.10	1.25
2016	0.10	1.25	-	1.00	0.10	0.10	1.25
2017	0.10	1.25	-	1.00	0.10	0.10	1.25
2018	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2019	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2020	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2021	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2022	0.09	1.25	0.40	0.40	0.10	0.09	1.25
2023	0.09	1.25	0.40	0.40	0.09	0.09	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
2014	2,429	\$ 281,975,122	\$ 10,223,880	\$ 10,223,880	3.63%	\$ 4,209
2015	2,433	281,797,139	9,526,136	9,526,136	3.38%	3,915
2016	2,430	282,644,593	8,823,394	8,823,394	3.12%	3,631
2017	2,405	284,078,413	7,810,652	7,810,652	2.75%	3,248
2018	2,389	290,289,102	7,097,910	7,097,910	2.45%	2,971
2019	2,399	291,367,433	6,736,667	6,736,667	2.31%	2,808
2020	2,400	291,724,556	6,008,825	6,008,825	2.06%	2,504
2021	2,400	295,273,522	6,430,411	6,430,411	2.18%	2,679
2022	2,400	323,830,413	5,709,549	5,709,549	1.76%	2,379
2023	2,400	343,702,181	7,315,736	7,315,736	2.13%	3,048

(1) United States Census Bureau, Census 2014-2023 population estimate

(2) From Table 6

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

Table 9

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

Assessed value of real property, January 1, 2022 (1)	\$ 296,156,110
<hr/>	
Debt limit:	
10% of assessed value	\$ 29,615,611
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 8,456,906
Less: Revenue bonds and notes secured by property	(1,011,532)
Net general obligation bonds and loans	\$ 7,445,374
Legal debt limit	\$ 22,170,237

(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***

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**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, 2023, 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 March 28, 2024.

**Report on 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 or significant deficiencies may exist that were not been identified.

## Report on 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.

*Robinson, Fournier, Cox Associates*

Richmond, Virginia  
March 28, 2024



**Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Town of Tappahannock, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Tappahannock, Virginia's major federal programs for the year ended June 30, 2023. Town of Tappahannock, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Tappahannock, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Tappahannock, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Tappahannock, Virginia compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Tappahannock, Virginia's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Tappahannock, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Tappahannock, Virginia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Tappahannock, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Tappahannock, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Tappahannock, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

## Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Fournier, LLC Associates*

Richmond, Virginia  
March 28, 2024

Town of Tappahannock, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Agriculture:</i>			
Direct Payments:			
Community Facilities Loans and Grants (Community Facilities Loans and Grants Cluster)	10.766	N/A	<u>\$ 126,900</u>
<i>Department of Justice:</i>			
Pass Through Payments:			
<i>Virginia Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unavailable	<u>\$ 15,981</u>
<i>Department of Transportation:</i>			
Pass Through Payments:			
<i>Virginia Department of Motor Vehicles:</i>			
State and Community Highway Safety (Highway Safety Cluster)	20.600	BPT-2023-53170-2317 FSC-2022-52288-22288	<u>\$ 6,076</u>
<i>U.S. Department of Housing and Urban Development:</i>			
Pass Through Payments:			
<i>Virginia Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-PG-08	<u>\$ 38,017</u>
<i>Department of Treasury:</i>			
Pass Through Payments:			
<i>Virignia Department of Accounts:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unavailable	<u>\$ 687,306</u>
Total Expenditures of Federal Awards			<u><u>\$ 874,280</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Town of Tappahannock, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Tappahannock, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of the Town of Tappahannock, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Town of Tappahannock, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 693,382
Capital projects fund	150,898
Water and sewer fund	30,000
	30,000

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 874,280
	874,280

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 6 - Loan Balances

The Town has no loans or loan guarantees which are subject to reporting requirements for the current year.

Town of Tappahannock, Virginia  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2023

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**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ ✓ _____ no	
Significant deficiency(ies) identified?	_____ yes	_____ ✓ _____ none reported	

Type of auditor's report issued on compliance for major programs unmodified

Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

	_____ yes	_____ ✓ _____ no	
--	-----------	------------------	--

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

	_____ yes	_____ ✓ _____ no	
--	-----------	------------------	--

**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None

**Section IV-Status of Prior Audit Findings**

There were no prior year audit findings.