

TOWN OF TAPPAHANNOCK,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

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Independent Auditors' Report

**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, 2024, 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, 2024, 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.

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.

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 24, 2025, 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, Fennell, Cox Associates

Richmond, Virginia
March 24, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Town of Tappahannock, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. 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 \$17,122,469 (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 (\$1,735,318) (Exhibit 5).

< As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$3,688,146, a decrease of \$1,735,318 in comparison with the prior year.

< The combined long-term obligations decreased \$618,080 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

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

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

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

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

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

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

The Water and Sewer Fund provides a centralized source for water/sewer services.

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedules related to pension funding and other supplementary information, including individual fund financial statements and budgetary comparison schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,122,469 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 5,821,332	\$ 7,402,321	\$ 1,057,560	\$ 848,329	\$ 6,878,892	\$ 8,250,650
Capital assets	7,079,408	4,226,835	13,556,004	12,671,671	20,635,412	16,898,506
Total assets	<u>\$12,900,740</u>	<u>\$11,629,156</u>	<u>\$14,613,564</u>	<u>\$13,520,000</u>	<u>\$27,514,304</u>	<u>\$25,149,156</u>
Deferred outflows of resources	\$ 220,447	\$ 308,226	\$ 123,872	\$ 106,474	\$ 344,319	\$ 414,700
Current liabilities	\$ 2,017,377	\$ 1,913,127	\$ 154,526	\$ 144,036	\$ 2,171,903	\$ 2,057,163
Long-term liabilities outstanding	4,149,146	4,268,112	4,275,953	4,775,067	8,425,099	9,043,179
Total liabilities	<u>\$ 6,166,523</u>	<u>\$ 6,181,239</u>	<u>\$ 4,430,479</u>	<u>\$ 4,919,103</u>	<u>\$10,597,002</u>	<u>\$11,100,342</u>
Deferred inflows of resources	\$ 99,396	\$ 132,433	\$ 39,756	\$ 78,198	\$ 139,152	\$ 210,631
Net position:						
Net investment in capital assets	\$ 3,279,824	\$ 328,800	\$ 9,455,229	\$ 8,022,780	\$12,735,053	\$ 8,351,580
Unrestricted	3,575,444	5,294,910	811,972	606,393	4,387,416	5,901,303
Total net position	<u>\$ 6,855,268</u>	<u>\$ 5,623,710</u>	<u>\$10,267,201</u>	<u>\$ 8,629,173</u>	<u>\$17,122,469</u>	<u>\$14,252,883</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$2,869,586. 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	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 277,178	\$ 230,029	\$ 1,592,333	\$1,539,369	\$ 1,869,511	\$ 1,769,398
Operating grants and contributions	2,142,983	1,050,106	239,432	208,171	2,382,415	1,258,277
General revenues:						
General property taxes	573,164	541,320	-	-	573,164	541,320
Other local taxes	3,855,416	3,962,012	-	-	3,855,416	3,962,012
Grants and other contributions not restricted	205,547	151,031	-	-	205,547	151,031
Other general revenues	418,160	128,115	25,528	29,550	443,688	157,665
Total revenues	\$ 7,472,448	\$ 6,062,613	\$ 1,857,293	\$1,777,090	\$ 9,329,741	\$ 7,839,703
Expenses:						
General government administration						
	\$ 1,293,807	\$ 1,134,459	\$ -	\$ -	\$ 1,293,807	\$ 1,134,459
Public safety	1,292,328	1,273,783	-	-	1,292,328	1,273,783
Public works	1,268,078	1,014,381	2,249,886	2,134,239	3,517,964	3,148,620
Parks, recreation, and cultural	(44,191)	-	-	-	(44,191)	-
Community development	276,216	276,051	-	-	276,216	276,051
Interest and other fiscal charges	124,031	155,079	-	-	124,031	155,079
Total expenses	\$ 4,210,269	\$ 3,853,753	\$ 2,249,886	\$2,134,239	\$ 6,460,155	\$ 5,987,992
Transfers	\$ (2,030,621)	\$ (1,057,306)	\$ 2,030,621	\$1,057,306	\$ -	\$ -
Change in net position	\$ 1,231,558	\$ 1,151,554	\$ 1,638,028	\$ 700,157	\$ 2,869,586	\$ 1,851,711
Beginning of year	5,623,710	4,472,156	8,629,173	7,929,016	14,252,883	12,401,172
End of year	<u>\$ 6,855,268</u>	<u>\$ 5,623,710</u>	<u>\$10,267,201</u>	<u>\$8,629,173</u>	<u>\$17,122,469</u>	<u>\$14,252,883</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a fund balance of \$3,688,146, a decrease of \$1,735,318 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 76% 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 \$811,972. Net position increased \$1,638,028. 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 \$2,289,344. Budgeted expenditures exceeded actual expenditures and other uses by (\$1,441,296), resulting in a positive variance of \$848,048.

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, 2024 amounts to \$47,079,408 and \$13,556,004, 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 \$7,900,359. Of this amount, \$7,844,035 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 decreased by \$575,688.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

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

These factors were considered in preparing the Town's budget for the 2025 fiscal year.

The fiscal year 2025 budget increased approximately 27% in comparison to 2024 due to capital projects expected 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, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,088,183	\$ 585,133	\$ 5,673,316
Investments	-	53,255	53,255
Restricted cash - customer deposits	-	70,706	70,706
Receivables (net of allowance for uncollectibles):			
Taxes receivable	139,953	-	139,953
Accounts receivable	220,012	363,818	583,830
Notes receivable	244,110	-	244,110
Internal balances	19,516	(19,516)	-
Due from other governmental units	97,858	-	97,858
Prepaid expenses	11,700	4,164	15,864
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,811,835	-	2,811,835
Buildings and improvements	1,228,102	-	1,228,102
Utility plant in service	-	11,066,805	11,066,805
Machinery and equipment	1,146,790	699,945	1,846,735
Subscription assets	21,407	-	21,407
Lease equipment	38,050	-	38,050
Construction in progress	1,833,224	1,789,254	3,622,478
Total assets	<u>\$ 12,900,740</u>	<u>\$ 14,613,564</u>	<u>\$ 27,514,304</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 220,447	\$ 123,872	\$ 344,319
LIABILITIES			
Accounts payable	\$ 1,499,364	\$ 32,812	\$ 1,532,176
Accrued liabilities	89,300	29,222	118,522
Retainage payable	167,083	-	167,083
Accrued interest payable	22,703	21,786	44,489
Unearned revenue	238,927	-	238,927
Customer deposits payable	-	70,706	70,706
Long-term liabilities:			
Due within one year	228,723	505,460	734,183
Due in more than one year	3,920,423	3,770,493	7,690,916
Total liabilities	<u>\$ 6,166,523</u>	<u>\$ 4,430,479</u>	<u>\$ 10,597,002</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 3,674	\$ -	\$ 3,674
Pension related items	95,722	39,756	135,478
Total deferred inflows of resources	<u>\$ 99,396</u>	<u>\$ 39,756</u>	<u>\$ 139,152</u>
NET POSITION			
Net investment in capital assets	\$ 3,279,824	\$ 9,455,229	\$ 12,735,053
Unrestricted (deficit)	3,575,444	811,972	4,387,416
Total net position	<u>\$ 6,855,268</u>	<u>\$ 10,267,201</u>	<u>\$ 17,122,469</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, 2024

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,293,807	\$ 2,985	\$ 1,472,894	\$ 182,072	\$ -	\$ 182,072
Public safety	1,292,328	73,295	341,188	(877,885)	-	(877,885)
Public works	1,268,078	200,938	2,805	(1,064,335)	-	(1,064,335)
Parks, recreation, and cultural	(44,191)	-	204,500	248,691	-	248,691
Community development	276,216	-	121,596	(154,620)	-	(154,620)
Interest on long-term debt	124,031	-	-	(124,031)	-	(124,031)
Total governmental activities	\$ 4,210,269	\$ 277,178	\$ 2,142,983	\$ (1,790,108)	\$ -	\$ (1,790,108)
Business-type activities:						
Water and Sewer	\$ 2,249,886	\$ 1,592,333	\$ 239,432	\$ -	\$ (418,121)	\$ (418,121)
Total business-type activities	\$ 2,249,886	\$ 1,592,333	\$ 239,432	\$ -	\$ (418,121)	\$ (418,121)
Total primary government	\$ 6,460,155	\$ 1,869,511	\$ 2,382,415	\$ -	\$ (418,121)	\$ (2,208,229)
General revenues:						
General property taxes	\$ 573,164			\$ 573,164	\$ -	\$ 573,164
Other local taxes:						
Local sales and use taxes	347,270			347,270	-	347,270
Business license taxes	712,758			712,758	-	712,758
Bank stock tax	723,548			723,548	-	723,548
Restaurant food taxes	1,555,653			1,555,653	-	1,555,653
Other local taxes	516,187			516,187	-	516,187
Unrestricted revenues from use of money and property	362,050			362,050	2,692	364,742
Miscellaneous	56,110			56,110	22,836	78,946
Grants and contributions not restricted to specific programs	205,547			205,547	-	205,547
Transfers	(2,030,621)			(2,030,621)	2,030,621	-
Total general revenues and transfers	\$ 3,021,666			\$ 3,021,666	\$ 2,056,149	\$ 5,077,815
Change in net position	\$ 1,231,558			\$ 1,231,558	\$ 1,638,028	\$ 2,869,586
Net position - beginning	5,623,710			5,623,710	8,629,173	14,252,883
Net position - ending	\$ 6,855,268			\$ 6,855,268	\$ 10,267,201	\$ 17,122,469

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, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,628,178	\$ 1,460,005	\$ 5,088,183
Receivables (net of allowance for uncollectibles):			
Taxes receivable	139,953	-	139,953
Accounts receivable	220,012	-	220,012
Notes receivable	244,110	-	244,110
Due from other funds	19,516	-	19,516
Due from other governmental units	85,108	\$ 12,750	97,858
Prepaid items	11,700	-	11,700
Total assets	<u>\$ 4,348,577</u>	<u>\$ 1,472,755</u>	<u>\$ 5,821,332</u>
LIABILITIES			
Accounts payable	\$ 1,006,994	\$ 492,370	\$ 1,499,364
Retainage payable	77,369	89,714	167,083
Accrued payroll	89,300	-	89,300
Unearned revenue - grant funds	238,927	-	238,927
Total liabilities	<u>\$ 1,412,590</u>	<u>\$ 582,084</u>	<u>\$ 1,994,674</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 138,512	\$ -	\$ 138,512
Total deferred inflows of resources	<u>\$ 138,512</u>	<u>\$ -</u>	<u>\$ 138,512</u>
FUND BALANCES			
Committed	\$ -	\$ 890,671	\$ 890,671
Unassigned	2,797,475	-	2,797,475
Total fund balances	<u>\$ 2,797,475</u>	<u>\$ 890,671</u>	<u>\$ 3,688,146</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,348,577</u>	<u>\$ 1,472,755</u>	<u>\$ 5,821,332</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, 2024

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,688,146
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,079,408
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		134,838
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		220,447
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	\$	(2,446,800)
Note payable		(1,296,460)
Subscription liabilities		(18,057)
Lease liabilities		(38,267)
Accrued interest payable		(22,703)
Net pension liability		(245,040)
Compensated absences		(104,522)
		(4,171,849)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(95,722)
Net position of governmental activities	\$	6,855,268

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, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 544,665	\$ -	\$ 544,665
Other local taxes	3,855,416	-	3,855,416
Permits, privilege fees, and regulatory licenses	3,580	-	3,580
Fines and forfeitures	72,660	-	72,660
Revenue from the use of money and property	253,567	108,483	362,050
Charges for services	200,938	-	200,938
Miscellaneous	56,110	-	56,110
Intergovernmental:			
Commonwealth	559,803	55,300	615,103
Federal	1,496,746	236,681	1,733,427
Total revenues	<u>\$ 7,043,485</u>	<u>\$ 400,464</u>	<u>\$ 7,443,949</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,345,359	\$ -	\$ 1,345,359
Public safety	1,202,110	232,180	1,434,290
Public works	959,240	470,793	1,430,033
Parks, recreation, and cultural	-	2,093,577	2,093,577
Community development	121,596	154,620	276,216
Nondepartmental	328,311	-	328,311
Debt service:			
Principal retirement	377,940	-	377,940
Interest and other fiscal charges	142,409	-	142,409
Total expenditures	<u>\$ 4,476,965</u>	<u>\$ 2,951,170</u>	<u>\$ 7,428,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,566,520</u>	<u>\$ (2,550,706)</u>	<u>\$ 15,814</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 442,000	\$ 442,000
Transfers out	(2,472,621)	-	(2,472,621)
Issuance of leases	19,189	-	19,189
Issuance of notes payable	-	260,300	260,300
Total other financing sources (uses)	<u>\$ (2,453,432)</u>	<u>702,300</u>	<u>\$ (1,751,132)</u>
Net change in fund balances	\$ 113,088	\$ (1,848,406)	\$ (1,735,318)
Fund balances - beginning	2,684,387	2,739,077	5,423,464
Fund balances - ending	<u>\$ 2,797,475</u>	<u>\$ 890,671</u>	<u>\$ 3,688,146</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, 2024

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

Net change in fund balances - total governmental funds \$ (1,735,318)

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	\$ 3,167,126	
Depreciation expense	(314,553)	2,852,573

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

Property taxes	28,499
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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 notes payable	\$ (260,300)	
Issuance of leases	(19,189)	
Principal retirement on general obligation bonds	198,684	
Principal retirement on general obligation note	56,648	
Principal retirement on notes payable	69,723	
Principal retirement on lease liabilities	10,868	
Principal retirement on subscription liabilities	8,626	
Principal retirement on financed purchases	33,391	98,451

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	\$ (11,889)	
Change in pension related items	(19,136)	
(Increase) decrease in accrued interest payable	18,378	(12,647)

Change in net position of governmental activities	\$ 1,231,558
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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, 2024

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 585,133
Investments	53,255
Restricted cash - customer deposits	70,706
Accounts receivable, net of allowance for uncollectibles	363,818
Prepaid expenses	4,164
Total current assets	<u>\$ 1,077,076</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 11,066,805
Machinery and equipment	699,945
Construction in progress	1,789,254
Total capital assets, net of accumulated depreciation	<u>\$ 13,556,004</u>
Total noncurrent assets	<u>\$ 13,556,004</u>
Total assets	<u>\$ 14,633,080</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>\$ 123,872</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 32,812
Accrued payroll	29,222
Accrued interest payable	21,786
Customer deposits payable	70,706
Due to general fund	19,516
Bonds and notes payable - current portion	499,800
Compensated absences - current portion	5,660
Total current liabilities	<u>\$ 679,502</u>
Noncurrent liabilities:	
Bonds and notes payable - net of current portion	\$ 3,600,975
Net pension liability	118,582
Compensated absences - net of current portion	50,936
Total noncurrent liabilities	<u>\$ 3,770,493</u>
Total liabilities	<u>\$ 4,449,995</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 39,756
Total deferred inflows of resources	<u>\$ 39,756</u>
 NET POSITION	
Net investment in capital assets	\$ 9,455,229
Unrestricted	811,972
Total net position	<u>\$ 10,267,201</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, 2024

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 1,592,333
Other revenues	22,836
Total operating revenues	<u>\$ 1,615,169</u>
OPERATING EXPENSES	
Personnel services	\$ 581,560
Fringe benefits	227,507
Contractual services	117,101
Other supplies and expenses	506,004
Depreciation	748,858
Total operating expenses	<u>\$ 2,181,030</u>
Operating income (loss)	<u>\$ (565,861)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 2,692
Connection/availability fees	183,691
Local government contribution	55,741
Interest expense	(68,856)
Total nonoperating revenues (expenses)	<u>\$ 173,268</u>
Income (loss) before transfers	\$ (392,593)
Transfers in	<u>2,030,621</u>
Change in net position	\$ 1,638,028
Total net position - beginning	8,629,173
Total net position - ending	<u><u>\$ 10,267,201</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, 2024

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,560,075
Payments for operating expenses	(623,811)
Payments to and for employees	(802,309)
Payments for interfund services used	5,985
Net cash provided by (used for) operating activities	\$ 139,940
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 2,030,621
Local government contribution	55,741
Net cash provided by (used for) noncapital financing activities	\$ 2,086,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and disposal of capital assets	\$ (1,633,191)
Principal payments on bonds payable	(548,116)
Connection fees	183,691
Interest payments	(70,757)
Net cash provided by (used for) capital and related financing activities	\$ (2,068,373)
Net increase (decrease) in cash and cash equivalents	\$ 157,929
Cash and cash equivalents - beginning, including restricted cash of \$71,205	497,910
Cash and cash equivalents - ending, including restricted cash of \$70,706	\$ 655,839
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (565,861)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 748,858
(Increase) decrease in accounts receivable	(50,431)
(Increase) decrease in prepaid expenses	(4,164)
(Increase) decrease in net pension asset/liability	43,105
(Increase) decrease in deferred outflows of pension related items	(17,398)
Increase (decrease) in customer deposits payable	(499)
Increase (decrease) in accounts payable	(706)
Increase (decrease) in accrued payroll	13,596
Increase (decrease) in compensated absences	5,897
Increase (decrease) in deferred inflows of pension related items	(38,442)
Increase (decrease) in due to other funds	5,985
Total adjustments	\$ 705,801
Net cash provided by (used for) operating activities	\$ 139,940

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

Town of Tappahannock, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2024

	Cemetery Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 169,661
	<u><u>169,661</u></u>
NET POSITION	
Restricted	
Cemetery perpetual care	\$ 169,661
	<u><u>169,661</u></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, 2024

	Cemetery Private Purpose <u>Trust Fund</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	<u>\$ 14,460</u>
Investment earnings:	
Interest	<u>\$ 6,077</u>
Total additions	<u>\$ 20,537</u>
DEDUCTIONS	
Cemetery fees	<u>\$ 7,203</u>
Change in net position	\$ 13,334
Net position - beginning	<u>156,327</u>
Net position - ending	<u><u>\$ 169,661</u></u>

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

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Tappahannock (the primary government). Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the 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, 2024.

Discretely Presented Component Units - The Town has no discretely presented component units at June 30, 2024.

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)

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)

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, 2024

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

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 \$27,030 at June 30, 2024 and is comprised of property taxes of \$21,906 and water, sewer, garbage, and service connection charges of \$5,124.

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)

H. Leases and Subscription-Based IT Arrangements (Continued)

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)

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.

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

L. Pensions

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

M. Long-term Obligations

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

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

N. Fund Balance

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, 2024

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

N. 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	\$ -	\$ 890,671	\$ 890,671
Unassigned	\$ 2,797,475	\$ -	\$ 2,797,475
Total fund balances	<u>\$ 2,797,475</u>	<u>\$ 890,671</u>	<u>\$ 3,688,146</u>

O. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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.

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

P. 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 is reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 30th, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council.
5. 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, 2024.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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, 2024, 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	\$ 745,557	\$ -
Local Government Investment Pool Extended Maturity	-	1,227,792
Total	\$ 745,557	\$ 1,227,792

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Local Government Investment Pool	\$ 745,557	\$ 745,557	\$ -
Local Government Investment Pool Extended Maturity	1,227,792	-	1,227,792
Total	\$ 1,973,349	\$ 745,557	\$ 1,227,792

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 3—Deposits and Investments: (Continued)

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:

At June 30, 2024, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Essex	\$ 61,322
Commonwealth of Virginia:	
Communications tax	6,500
Rolling stock tax	3
Auto rental tax	8,980
Federal Government:	
ARPA	12,750
Justice assistance	5,639
Transportation safety	<u>2,664</u>
Total due from other governments	<u>\$ 97,858</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,108,389	\$ 703,446	\$ -	\$ 2,811,835
Construction in progress	266,944	1,566,280	-	1,833,224
Total capital assets not subject to depreciation	<u>\$ 2,375,333</u>	<u>\$ 2,269,726</u>	<u>\$ -</u>	<u>\$ 4,645,059</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 2,204,892	\$ 78,267	\$ -	\$ 2,283,159
Machinery and equipment	1,803,087	799,944	-	2,603,031
Subscription asset	37,480	-	-	37,480
Lease equipment	44,301	19,189	4,849	58,641
Total capital assets subject to depreciation	<u>\$ 4,089,760</u>	<u>\$ 897,400</u>	<u>\$ 4,849</u>	<u>\$ 4,982,311</u>
Accumulated depreciation:				
Buildings and improvements	\$ 991,911	\$ 63,146	\$ -	\$ 1,055,057
Machinery and equipment	1,224,421	231,820	-	1,456,241
Subscription asset	7,109	8,964	-	16,073
Lease equipment	14,817	10,623	4,849	20,591
Total accumulated depreciation	<u>\$ 2,238,258</u>	<u>\$ 314,553</u>	<u>\$ 4,849</u>	<u>\$ 2,547,962</u>
Total capital assets subject to depreciation, net	<u>\$ 1,851,502</u>	<u>\$ 582,847</u>	<u>\$ -</u>	<u>\$ 2,434,349</u>
Governmental activities capital assets, net	<u>\$ 4,226,835</u>	<u>\$ 2,852,573</u>	<u>\$ -</u>	<u>\$ 7,079,408</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 197,328	\$ 1,591,926	\$ -	\$ 1,789,254
Total capital assets not subject to depreciation	\$ 197,328	\$ 1,591,926	\$ -	\$ 1,789,254
Capital assets subject to depreciation:				
Utility plant in service	\$ 23,348,393	\$ 18,580	\$ -	\$ 23,366,973
Machinery and equipment	1,254,184	22,685	-	1,276,869
Total capital assets subject to depreciation	\$ 24,602,577	\$ 41,265	\$ -	\$ 24,643,842
Accumulated depreciation:				
Utility plant in service	\$ 11,748,373	\$ 551,795	\$ -	\$ 12,300,168
Machinery and equipment	379,861	197,063	-	576,924
Total accumulated depreciation	\$ 12,128,234	\$ 748,858	\$ -	\$ 12,877,092
Total capital assets subject to depreciation, net	\$ 12,474,343	\$ (707,593)	\$ -	\$ 11,766,750
Business-type activities capital assets, net	\$ 12,671,671	\$ 884,333	\$ -	\$ 13,556,004

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 65,949
Public safety	93,541
Public works	146,665
Parks, recreation and cultural	8,398
Total depreciation expense - governmental activities	\$ 314,553
Business-type activities:	
Water and Sewer fund	\$ 748,858
Total depreciation expense - primary government	\$ 1,063,411

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

Note 6—Long-term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2024:

	Balance at July 1, 2023	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2024	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
Compensated absences	\$ 92,633	\$ 21,152	\$ 9,263	\$ 104,522	\$ 10,452
Net pension liability	277,444	483,111	515,515	245,040	-
Financed purchases	33,391	-	33,391	-	-
Subscription liabilities	26,683	-	8,626	18,057	8,892
Lease liabilities	29,946	19,189	10,868	38,267	11,495
Direct borrowings and placements:					
Notes payable	1,105,883	260,300	69,723	1,296,460	97,084
General obligation note	56,648	-	56,648	-	-
General obligation bonds	2,645,484	-	198,684	2,446,800	100,800
Total Governmental Activities Obligations	\$ 4,268,112	\$ 783,752	\$ 902,718	\$ 4,149,146	\$ 228,723
Business-type Activities:					
Compensated absences	\$ 50,699	\$ 10,967	\$ 5,070	\$ 56,596	\$ 5,660
Note payable	35,287	-	35,287	-	-
Net pension liability	75,477	273,407	230,302	118,582	-
Direct borrowings and placements:					
General obligation bonds	4,613,604	-	512,829	4,100,775	499,800
Total Business-type Activities Obligations	\$ 4,775,067	\$ 284,374	\$ 783,488	\$ 4,275,953	\$ 505,460
Total Primary Government Obligations	\$ 9,043,179	\$1,068,126	\$1,686,206	\$ 8,425,099	\$ 734,183

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

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				Subscription Liabilities				Lease Liabilities	
	General Obligation Bond		Notes Payable		Subscription Liabilities		Lease Liabilities			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2025	\$ 100,800	\$ 94,433	\$ 97,084	\$ 41,440	\$ 8,892	\$ 558	\$ 11,495	\$ 882		
2026	104,600	90,441	100,357	38,166	9,165	283	11,780	598		
2027	109,500	86,281	158,387	34,116	-	-	8,996	324		
2028	113,400	81,949	93,418	31,985	-	-	3,984	123		
2029	118,300	77,445	96,750	28,652	-	-	2,012	19		
2030	123,200	72,750	100,110	25,293	-	-	-	-		
2031	127,200	67,882	92,804	21,840	-	-	-	-		
2032	132,200	62,839	552,268	10,140	-	-	-	-		
2033	138,300	57,579	5,282	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	-	-	-	-	-	-		
Total	\$2,446,800	\$ 978,633	\$ 1,296,460	\$231,661	\$ 18,057	\$ 841	\$ 38,267	\$ 1,946		

(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, 2024

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Direct Placements	
	General Obligation Bonds	
	Principal	Interest
2025	\$ 499,800	\$ 65,176
2026	872,296	55,264
2027	886,127	41,330
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	33,859	1,126
Total	<u>\$ 4,100,775</u>	<u>\$ 369,532</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 6—Long-term Obligations: (Continued)

Primary Government Obligations:

	Interest <u>Rates</u>	Payment <u>Frequency</u>	Date <u>Issued</u>	Final Maturity <u>Date</u>	Amount of Original <u>Issue</u>	Amount <u>Outstanding</u>	Amount Due Within <u>One Year</u>
Governmental Activities:							
Direct borrowings and placements:							
General obligation bond - VML VACO	3.53%	semi-annual	10/16/18	2034	\$ 371,500	\$ 268,800	\$ 22,800
General obligation bond - Citizens and Farmers	3.99%	semi-annual	04/18/23	2043	2,250,000	2,178,000	78,000
Total general obligation bonds and notes						\$ 2,446,800	\$ 100,800
Note payable - Union Bank and Trust for park land	3.88%	monthly	08/11/16	2021	165,409	\$ 90,817	\$ 11,396
Note payable - United Bank for property	3.25%	monthly	11/08/21	2032	870,000	789,861	33,973
Note payable - USDA for sanitation truck	2.25%	monthly	08/24/22	2033	123,500	102,830	11,632
Note payable - USDA for sanitation truck	3.75%	monthly	03/18/24	2031	260,300	252,064	33,488
Note payable - USDA for tractor & mower	2.50%	monthly	11/07/22	2033	71,000	60,888	6,595
Total notes payable						\$ 1,296,460	\$ 97,084
Other long-term obligations:							
Subscriptions liabilities:							
Subscription liability - dispatch software	3.559%	monthly	07/01/22	2027	9,897	\$ 4,172	\$ 2,049
Subscription liability - financial software	2.895%	monthly	03/31/23	2027	27,583	13,885	6,843
Total subscription liabilities						\$ 18,057	\$ 8,892
Lease liabilities:							
Equipment lease - copier	0.625%	monthly	07/01/21	2026	16,405	\$ 6,850	\$ 3,264
Equipment lease - postage equipment	0.243%	monthly	07/01/22	2027	23,047	14,102	4,572
Equipment lease - postage equipment	2.842%	monthly	01/30/24	2029	7,988	7,188	1,519
Equipment lease - copier	2.842%	monthly	01/17/24	2029	11,201	10,127	2,140
Total lease liabilities						\$ 38,267	\$ 11,495
Other long-term obligations:							
Compensated absences						\$ 104,522	\$ 10,452
Net pension liability						245,040	-
Total Obligations - Governmental Activities						\$ 4,149,146	\$ 228,723
Business-type Activities:							
Direct borrowings and placements:							
General obligation bond - VRA	0%	semi-annual	05/01/08	2030	\$ 4,993,434	\$ 1,486,455	\$ 247,742
General obligation bond - VML VACO	2.10%	semi-annual	03/15/10	2030	1,585,000	614,767	96,298
General obligation bond - Essex Bank	3.125%	semi-annual	07/17/20	2041	545,000	454,088	22,293
General obligation bond - Blue Ridge Bank	3.24%	semi-annual	03/30/21	2041	518,500	459,582	20,653
General obligation refunding bond - Truist Bank	2.07%	semi-annual	05/06/21	2041	1,464,000	1,085,883	112,814
Total general obligation bonds						\$ 4,100,775	\$ 499,800
Other long-term obligations:							
Compensated absences						\$ 56,596	\$ 5,660
Net pension liability						118,582	-
Total Obligations - Business-type Activities						\$ 4,275,953	\$ 505,460
Total - Primary Government						\$ 8,425,099	\$ 734,183

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 7—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue totaling \$138,512 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$134,838 at June 30, 2024.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2024 but paid in advance by the taxpayers totaled \$3,674 at June 30, 2024.

Note 8—Litigation:

At June 30, 2024, 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:

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:

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)

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, 2024

Note 10—Pension Plan: (Continued)

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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	21
Inactive members:	
Vested inactive members	4
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	25
Active members	<u>33</u>
Total covered employees	<u><u>79</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, 2024 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 \$215,841 and \$186,463 for the years ended June 30, 2024 and June 30, 2023, respectively.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

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 liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

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, 2022, 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, 2023.

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, 2024

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 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, 2021. 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, 2022, 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, 2023.

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, 2024

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, 2022 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, 2021. 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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

*The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers 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, 2022	\$ 7,303,444	\$ 6,950,523	\$ 352,921
Changes for the year:			
Service cost	\$ 177,013	\$ -	\$ 177,013
Interest	490,908	-	490,908
Differences between expected and actual experience	44,525	-	44,525
Contributions - employer	-	186,454	(186,454)
Contributions - employee	-	74,734	(74,734)
Net investment income	-	444,834	(444,834)
Benefit payments, including refunds	(415,486)	(415,486)	-
Administrative expenses	-	(4,456)	4,456
Other changes	-	179	(179)
Net changes	\$ 296,960	\$ 286,259	\$ 10,701
Balances at June 30, 2023	\$ 7,600,404	\$ 7,236,782	\$ 363,622

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

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		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Net Pension Liability (Asset) \$	1,349,835 \$	363,622 \$	(454,395)

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

For the year ended June 30, 2024, the Town recognized pension expense of \$222,233. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 85,178	\$ -
Change in assumptions	15,951	-
Net difference between projected and actual earnings on pension plan investments	-	108,129
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,349	27,349
Employer contributions subsequent to the measurement date	<u>215,841</u>	<u>-</u>
Total	<u>\$ 344,319</u>	<u>\$ 135,478</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

Note 10—Pension Plan: (Continued)

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

\$215,841 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, 2025. 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>		
2025	\$	(9,302)
2026		(103,800)
2027		102,308
2028		3,794
2029		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Comprehensive Annual Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-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, 2024, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 2,472,621
Capital projects	442,000	-
Water and Sewer	2,030,621	-
Total	\$ 2,472,621	\$ 2,472,621

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12-Interfund Transfers: (Continued)

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

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

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to Virginia Risk Sharing Association (VRSA). VRSA assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2024 was \$3,623.

Note 14-Upcoming Pronouncements:

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.

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
REVENUES				
General property taxes	\$ 466,390	\$ 466,390	\$ 544,665	\$ 78,275
Other local taxes	3,742,485	3,742,485	3,855,416	112,931
Permits, privilege fees, and regulatory licenses	2,260	2,260	3,580	1,320
Fines and forfeitures	13,440	13,440	72,660	59,220
Revenue from the use of money and property	84,735	84,735	253,567	168,832
Charges for services	214,250	214,250	200,938	(13,312)
Miscellaneous	25,450	25,450	56,110	30,660
Intergovernmental:				
Commonwealth	171,320	171,320	559,803	388,483
Federal	53,000	53,000	1,496,746	1,443,746
Total revenues	\$ 4,773,330	\$ 4,773,330	\$ 7,043,485	\$ 2,270,155
EXPENDITURES				
Current:				
General government administration	\$ 1,411,190	\$ 1,411,190	\$ 1,345,359	\$ 65,831
Public safety	1,226,475	1,226,475	1,202,110	24,365
Public works	1,143,055	1,143,055	959,240	183,815
Community development	-	-	121,596	(121,596)
Nondepartmental	396,255	396,255	328,311	67,944
Debt service:				
Principal retirement	313,755	313,755	377,940	(64,185)
Interest and other fiscal charges	136,865	136,865	142,409	(5,544)
Total expenditures	\$ 4,627,595	\$ 4,627,595	\$ 4,476,965	\$ 150,630
Excess (deficiency) of revenues over (under) expenditures	\$ 145,735	\$ 145,735	\$ 2,566,520	\$ 2,420,785
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (880,695)	\$ (880,695)	\$ (2,472,621)	\$ (1,591,926)
Issuance of leases	-	-	19,189	19,189
Total other financing sources (uses)	\$ (880,695)	\$ (880,695)	\$ (2,453,432)	\$ (1,572,737)
Net change in fund balances	\$ (734,960)	\$ (734,960)	\$ 113,088	\$ 848,048
Fund balances - beginning	734,960	734,960	2,684,387	1,949,427
Fund balances - ending	\$ -	\$ -	\$ 2,797,475	\$ 2,797,475

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability			
Service cost	\$ 177,013	\$ 167,438	\$ 156,850
Interest	490,908	464,912	418,589
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	200,016
Differences between expected and actual experience	44,525	118,397	63,861
Benefit payments	<u>(415,486)</u>	<u>(334,903)</u>	<u>(306,057)</u>
Net change in total pension liability	\$ 296,960	\$ 415,844	\$ 533,259
Total pension liability - beginning	7,303,444	6,887,600	6,354,341
Total pension liability - ending (a)	<u>\$ 7,600,404</u>	<u>\$ 7,303,444</u>	<u>\$ 6,887,600</u>
 Plan fiduciary net position			
Contributions - employer	\$ 186,454	\$ 146,571	\$ 117,288
Contributions - employee	74,734	69,597	65,451
Net investment income	444,834	(6,242)	1,541,772
Benefit payments	(415,486)	(334,903)	(306,057)
Administrator charges	(4,456)	(4,411)	(3,851)
Other	<u>179</u>	<u>163</u>	<u>145</u>
Net change in plan fiduciary net position	\$ 286,259	\$ (129,225)	\$ 1,414,748
Plan fiduciary net position - beginning	6,950,523	7,079,748	5,665,000
Plan fiduciary net position - ending (b)	<u>\$ 7,236,782</u>	<u>\$ 6,950,523</u>	<u>\$ 7,079,748</u>
 Town's net pension liability (asset) - ending (a) - (b)	\$ 363,622	\$ 352,921	\$ (192,148)
 Plan fiduciary net position as a percentage of the total pension liability	95.22%	95.17%	102.79%
 Covered payroll	\$ 1,617,116	\$ 1,406,328	\$ 1,320,446
 Town's net pension liability (asset) as a percentage of covered payroll	22.49%	25.10%	-14.55%

2020	2019	2018	2017	2016	2015	2014
139,844 \$	119,856 \$	122,521 \$	127,232 \$	111,978 \$	127,043 \$	120,777
368,832	373,427	376,527	346,351	343,664	332,321	313,729
-	-	-	339,327	-	-	-
-	167,847	-	(95,542)	-	-	-
511,074	(289,974)	(298,701)	(53,632)	(131,191)	(4,640)	-
(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
760,587 \$	146,996 \$	(64,751) \$	463,548 \$	(47,506) \$	241,328 \$	310,099
5,593,754	5,446,758	5,511,509	5,047,961	5,095,467	4,854,139	4,544,040
6,354,341 \$	5,593,754 \$	5,446,758 \$	5,511,509 \$	5,047,961 \$	5,095,467 \$	4,854,139
66,094 \$	67,416 \$	100,641 \$	102,506 \$	92,300 \$	91,197 \$	106,239
60,090	60,782	60,102	61,345	61,857	61,405	67,081
108,771	361,408	381,171	564,952	78,795	210,894	628,737
(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
(3,732)	(3,590)	(3,325)	(3,232)	(3,051)	(2,909)	(3,315)
(128)	(227)	(337)	(504)	(34)	(46)	33
(28,068) \$	261,629 \$	273,154 \$	524,879 \$	(142,090) \$	147,145 \$	674,368
5,693,068	5,431,439	5,158,285	4,633,406	4,775,496	4,628,351	3,953,983
5,665,000 \$	5,693,068 \$	5,431,439 \$	5,158,285 \$	4,633,406 \$	4,775,496 \$	4,628,351
689,341 \$	(99,314) \$	15,319 \$	353,224 \$	414,555 \$	319,971 \$	225,788
89.15%	101.78%	99.72%	93.59%	91.79%	93.72%	95.35%
1,254,802 \$	1,263,697 \$	1,230,149 \$	1,251,059 \$	1,263,195 \$	1,236,201 \$	1,313,717
54.94%	-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, 2015 through June 30, 2024

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	
Primary Government					
2024	\$ 215,841	\$ 215,841	\$ -	\$ 1,889,826	11.42%
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%

*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, 2024

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, 2022 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, 2021. 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, 2024

	Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 108,483	\$ 108,483
Intergovernmental:				
Commonwealth	789,914	789,914	55,300	(734,614)
Federal	611,681	636,681	236,681	(400,000)
Total revenues	<u>\$ 1,401,595</u>	<u>\$ 1,426,595</u>	<u>\$ 400,464</u>	<u>\$ (1,026,131)</u>
EXPENDITURES				
Current:				
Public safety	\$ 326,175	\$ 326,175	\$ 232,180	\$ 93,995
Public works	239,000	1,227,746	470,793	756,953
Parks, recreation, and cultural	3,150,000	3,150,000	2,093,577	1,056,423
Community development	261,000	261,000	154,620	106,380
Total expenditures	<u>\$ 3,976,175</u>	<u>\$ 4,964,921</u>	<u>\$ 2,951,170</u>	<u>\$ 2,013,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,574,580)</u>	<u>\$ (3,538,326)</u>	<u>\$ (2,550,706)</u>	<u>\$ 987,620</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 467,000	\$ 467,000	\$ 442,000	\$ (25,000)
Issuance of notes payable	2,000,000	2,260,300	260,300	(2,000,000)
Total other financing sources (uses)	<u>\$ 2,467,000</u>	<u>\$ 2,727,300</u>	<u>\$ 702,300</u>	<u>\$ (2,025,000)</u>
Net change in fund balances	\$ (107,580)	\$ (811,026)	\$ (1,848,406)	\$ (1,037,380)
Fund balances - beginning	107,580	811,026	2,739,077	1,928,051
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,671</u>	<u>\$ 890,671</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, 2024

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 249,355	\$ 249,355	\$ 262,520	\$ 13,165
Real and personal public service corporation taxes	6,560	6,560	-	(6,560)
Personal property taxes	207,535	207,535	271,348	63,813
Penalties	1,685	1,685	6,797	5,112
Interest and fees	1,255	1,255	4,000	2,745
Total general property taxes	<u>\$ 466,390</u>	<u>\$ 466,390</u>	<u>\$ 544,665</u>	<u>\$ 78,275</u>
Other local taxes:				
Local sales and use taxes	\$ 360,480	\$ 360,480	\$ 347,270	\$ (13,210)
Consumers' utility taxes	50,785	50,785	45,603	(5,182)
Consumption tax	12,385	12,385	12,156	(229)
Business license taxes	711,900	711,900	712,758	858
Tobacco tax	97,020	97,020	70,847	(26,173)
Motor vehicle licenses	58,895	58,895	58,052	(843)
Bank stock taxes	688,942	688,942	723,548	34,606
Hotel and motel room taxes	298,783	298,783	329,529	30,746
Restaurant food taxes	1,463,295	1,463,295	1,555,653	92,358
Total other local taxes	<u>\$ 3,742,485</u>	<u>\$ 3,742,485</u>	<u>\$ 3,855,416</u>	<u>\$ 112,931</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 595	\$ 95
Permits and other licenses	1,760	1,760	2,985	1,225
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,260</u>	<u>\$ 2,260</u>	<u>\$ 3,580</u>	<u>\$ 1,320</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 13,440	\$ 13,440	\$ 72,660	\$ 59,220
Revenue from use of money and property:				
Revenue from use of money	\$ 12,335	\$ 12,335	\$ 170,494	\$ 158,159
Revenue from use of property	72,400	72,400	83,073	10,673
Total revenue from use of money and property	<u>\$ 84,735</u>	<u>\$ 84,735</u>	<u>\$ 253,567</u>	<u>\$ 168,832</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 214,250	\$ 214,250	\$ 200,938	\$ (13,312)
Miscellaneous:				
Miscellaneous	\$ 25,450	\$ 25,450	\$ 56,110	\$ 30,660
Total revenue from local sources	<u>\$ 4,549,010</u>	<u>\$ 4,549,010</u>	<u>\$ 4,986,936</u>	<u>\$ 437,926</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2024

Schedule 1
 Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 189	\$ 189
Communications tax	51,570	51,570	41,323	(10,247)
Auto rental tax	50,580	50,580	54,560	3,980
Rolling stock tax	-	-	3	3
Personal property tax relief funds	54,170	54,170	54,172	2
Total noncategorical aid	<u>\$ 156,320</u>	<u>\$ 156,320</u>	<u>\$ 150,247</u>	<u>\$ (6,073)</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ -	\$ -	\$ 65,655	\$ 65,655
Conservation and recreation	-	-	200,000	200,000
Industrial revitalization	-	-	121,596	121,596
Arts	-	-	4,500	4,500
Litter control	-	-	2,805	2,805
Fire programs	15,000	15,000	15,000	-
Total other categorical aid	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 409,556</u>	<u>\$ 394,556</u>
Total categorical aid	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 409,556</u>	<u>\$ 394,556</u>
Total revenue from the Commonwealth	<u>\$ 171,320</u>	<u>\$ 171,320</u>	<u>\$ 559,803</u>	<u>\$ 388,483</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 11,852	\$ 11,852
COVID-19 American Rescue Plan Act	-	-	1,472,894	1,472,894
JAG Byrne grant	53,000	53,000	12,000	(41,000)
Total other categorical aid	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 1,496,746</u>	<u>\$ 1,443,746</u>
Total revenue from the federal government	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 1,496,746</u>	<u>\$ 1,443,746</u>
Total General Fund	<u>\$ 4,773,330</u>	<u>\$ 4,773,330</u>	<u>\$ 7,043,485</u>	<u>\$ 2,270,155</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2024

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>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 108,483	\$ 108,483
Revenue from the Commonwealth:				
Noncategorical aid:				
Other noncategorical aid	\$ 789,914	\$ 789,914	\$ 55,300	\$ (734,614)
Total noncategorical aid	<u>\$ 789,914</u>	<u>\$ 789,914</u>	<u>\$ 55,300</u>	<u>\$ (734,614)</u>
Total revenue from the Commonwealth	<u>\$ 789,914</u>	<u>\$ 789,914</u>	<u>\$ 55,300</u>	<u>\$ (734,614)</u>
Revenue from the federal government:				
Categorical aid:				
COVID-19 American Rescue Plan Act	\$ 211,681	\$ 211,681	\$ 211,681	\$ -
Other	400,000	400,000	-	(400,000)
USDA grants	-	25,000	25,000	-
Total categorical aid	<u>\$ 611,681</u>	<u>\$ 636,681</u>	<u>\$ 236,681</u>	<u>\$ (400,000)</u>
Total revenue from the federal government	<u>\$ 611,681</u>	<u>\$ 636,681</u>	<u>\$ 236,681</u>	<u>\$ (400,000)</u>
Total Capital Projects Fund	<u>\$ 1,401,595</u>	<u>\$ 1,426,595</u>	<u>\$ 400,464</u>	<u>\$ (1,026,131)</u>
Total Revenues -- Primary Government	<u>\$ 6,174,925</u>	<u>\$ 6,199,925</u>	<u>\$ 7,443,949</u>	<u>\$ 1,244,024</u>

Town of Tappahannock, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
General and financial administration:				
Administration	\$ 1,411,190	\$ 1,411,190	\$ 1,345,359	\$ 65,831
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,110,540	\$ 1,110,540	\$ 1,104,461	\$ 6,079
Fire and rescue services:				
Fire department	\$ 105,935	\$ 105,935	\$ 90,395	\$ 15,540
Ambulance and rescue services	10,000	10,000	7,254	2,746
Total fire and rescue services	\$ 115,935	\$ 115,935	\$ 97,649	\$ 18,286
Total public safety	\$ 1,226,475	\$ 1,226,475	\$ 1,202,110	\$ 24,365
Public works:				
Public works	\$ 1,143,055	\$ 1,143,055	\$ 959,240	\$ 183,815
Community development:				
Planning and community development:				
Industrial revitalization	\$ -	\$ -	\$ 121,596	\$ (121,596)
General Fund: (Continued)				
Nondepartmental:				
Unclassified	\$ 396,255	\$ 396,255	\$ 328,311	\$ 67,944
Debt service:				
Principal retirement	\$ 313,755	\$ 313,755	\$ 377,940	\$ (64,185)
Interest and other fiscal charges	136,865	136,865	142,409	(5,544)
Total debt service	\$ 450,620	\$ 450,620	\$ 520,349	\$ (69,729)
Total General Fund	\$ 4,627,595	\$ 4,627,595	\$ 4,476,965	\$ 150,630

Town of Tappahannock, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

<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>
Capital Projects Fund:				
Public Safety:				
Law enforcement and traffic control:				
Police equipment	\$ 326,175	\$ 326,175	\$ 232,180	\$ 93,995
Public Works:				
Public works:				
Miscellaneous	\$ 239,000	\$ 1,227,746	\$ 470,793	\$ 756,953
Parks, recreation, and cultural:				
Parks and rec:				
Park	\$ 3,150,000	\$ 3,150,000	\$ 2,093,577	\$ 1,056,423
Planning and Community Development:				
Community Development:				
Revitalization	\$ 261,000	\$ 261,000	\$ 154,620	\$ 106,380
Total Capital Projects Fund	\$ 3,976,175	\$ 4,964,921	\$ 2,951,170	\$ 2,013,751
Total Expenditures -- Primary Government	\$ 8,603,770	\$ 9,592,516	\$ 7,428,135	\$ 2,164,381

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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration		Public Safety	Public Works	Parks, Recreation, and Cultural		Community Development	Interest on Long-Term Debt	Water and Sewer		Total
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	2,134,238	5,987,992			
2024	1,293,807	1,292,328	1,268,078	(44,191)	276,216	124,031	2,249,886	6,460,155			

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					
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	
2024	1,869,511	2,382,415	573,164	3,855,416	364,742	78,946	205,547				9,329,741	

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
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
2024	1,345,359	1,202,110	959,240	121,596	520,349	328,311	4,476,965

(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
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
2024	544,665	3,855,416	3,580	72,660	253,567	200,938	56,110	-	2,056,549	7,043,485

(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	
2015	\$ 450,889	\$ 427,870	94.89%	\$ 18,449	\$ 446,319	98.99%	\$ 34,189	7.58%
2016	454,455	431,797	95.01%	10,482	442,279	97.32%	43,193	9.50%
2017	467,957	449,770	96.11%	19,370	469,140	100.25%	43,253	9.24%
2018	457,317	448,211	98.01%	8,082	456,293	99.78%	50,511	11.05%
2019	454,448	443,523	97.60%	15,684	459,207	101.05%	53,624	11.80%
2020	455,939	430,705	94.47%	12,217	442,922	97.15%	58,073	12.74%
2021	464,760	442,208	95.15%	17,455	459,663	98.90%	62,210	13.39%
2022	531,329	470,959	88.64%	34,737	505,696	95.18%	89,075	16.76%
2023	627,503	514,072	81.92%	34,737	548,809	87.46%	130,827	20.85%
2024	606,177	543,088	89.59%	44,952	588,040	97.01%	153,683	25.35%

(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	
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	
2024	291,971,948	15,128,634	19,890,855	10,825,275	794,600	5,865,907	-	344,477,219	

(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
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
2024	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
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
2024	2,400	344,477,219	5,092,284	5,092,284	1.48%	2,122

(1) United States Census Bureau, Census 2015-2024 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, 2024

Assessed value of real property, January 1, 2024 (1)	\$ 297,837,855
<hr/>	
Debt limit:	
10% of assessed value	\$ 29,783,786
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 7,844,035
Less: Revenue bonds and notes secured by property	(880,678)
Net general obligation bonds and loans	\$ 6,963,357
Legal debt limit	\$ 22,820,429

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

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

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of and for the year ended June 30, 2024, 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 24, 2025.

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 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, Fennell, Cox Associates

Richmond, Virginia
March 24, 2025



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

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, 2024. 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, 2024.

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, Cox Associates

Richmond, Virginia
March 24, 2025

Town of Tappahannock, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

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	10.766	N/A	<u>\$ 285,300</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>\$ 11,999</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>\$ 11,852</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>\$ 1,684,576</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,993,727</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, 2024

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, 2024. 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

follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 1,496,746
Capital projects fund	236,681
Capital projects fund - debt proceeds	<u>260,300</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,993,727</u></u>
-------------------------------------------------------------------------------	----------------------------

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, 2024

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	_____ <input checked="" type="checkbox"/> no	
Significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <input checked="" type="checkbox"/> no	

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no	
Significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported	

Type of auditor's report issued on compliance for major program 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>Assistance Listing 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.