

TOWN OF TAPPAHANNOCK,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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ANNUAL FINANCIAL REPORT

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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, 2025, and the related notes to the financial statements, which collectively comprise the Town 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, 2025, 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.

Changes in Accounting Principles

As described in Note 15 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2025, the Town restated beginning balances to reflect the requirements of GASB Statement No. 101. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 *Government 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 *Government 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 is presented for purposes of additional analysis and is 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 is 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 April 8, 2026, 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, Furrer, Cox Associates

Richmond, Virginia
April 8, 2026

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, 2025. 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 \$16,405,863 (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 \$1,560,141 (Exhibit 5).

< As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$5,248,287, an increase of \$1,560,141 in comparison with the prior year.

< The combined long-term obligations increased \$2,722,238 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.

Fiduciary funds - Fiduciary Funds (Trust Funds) account for assets held by the Town in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

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 \$16,405,863 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 5,914,355	\$ 5,821,332	\$ 910,498	\$ 1,057,560	\$ 6,824,853	\$ 6,878,892
Capital assets	7,698,574	7,079,408	13,385,429	13,556,004	21,084,003	20,635,412
Total assets	\$ 13,612,929	\$ 12,900,740	\$ 14,295,927	\$ 14,613,564	\$ 27,908,856	\$ 27,514,304
Deferred outflows of resources	\$ 433,900	\$ 220,447	\$ 205,117	\$ 123,872	\$ 639,017	\$ 344,319
Current liabilities	\$ 550,205	\$ 2,017,377	\$ 212,771	\$ 154,526	\$ 762,976	\$ 2,171,903
Long-term liabilities outstanding	7,038,055	4,149,146	4,109,282	4,275,953	11,147,337	8,425,099
Total liabilities	\$ 7,588,260	\$ 6,166,523	\$ 4,322,053	\$ 4,430,479	\$ 11,910,313	\$ 10,597,002
Deferred inflows of resources	\$ 165,505	\$ 99,396	\$ 66,192	\$ 39,756	\$ 231,697	\$ 139,152
Net position:						
Net investment in capital assets	\$ 3,227,536	\$ 3,279,824	\$ 9,568,178	\$ 9,455,229	\$ 12,795,714	\$ 12,735,053
Unrestricted	3,065,528	3,575,444	544,621	811,972	3,610,149	4,387,416
Total net position	\$ 6,293,064	\$ 6,855,268	\$ 10,112,799	\$ 10,267,201	\$ 16,405,863	\$ 17,122,469

The table above has not been restated for the implementation of GASB 101.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position decreased by \$550,084. 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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 293,991	\$ 277,178	\$ 1,823,578	\$ 1,592,333	\$ 2,117,569	\$ 1,869,511
Operating grants and contributions	409,349	2,142,983	264,813	239,432	674,162	2,382,415
General revenues:						
General property taxes	541,197	573,164	-	-	541,197	573,164
Other local taxes	3,785,408	3,855,416	-	-	3,785,408	3,855,416
Grants and other contributions not restricted	417,726	205,547	-	-	417,726	205,547
Other general revenues	343,672	418,160	52,714	25,528	396,386	443,688
Total revenues	\$ 5,791,343	\$ 7,472,448	\$ 2,141,105	\$ 1,857,293	\$ 7,932,448	\$ 9,329,741
Expenses:						
General government administration						
General government administration	\$ 1,777,641	\$ 1,293,807	\$ -	\$ -	\$ 1,777,641	\$ 1,293,807
Public safety	1,570,539	1,292,328	-	-	1,570,539	1,292,328
Public works	1,855,754	1,268,078	2,673,546	2,249,886	4,529,300	3,517,964
Parks, recreation, and cultural	119,983	(44,191)	-	-	119,983	(44,191)
Community development	56,506	276,216	-	-	56,506	276,216
Interest and other fiscal charges	428,563	124,031	-	-	428,563	124,031
Total expenses	\$ 5,808,986	\$ 4,210,269	\$ 2,673,546	\$ 2,249,886	\$ 8,482,532	\$ 6,460,155
Transfers	\$ (441,081)	\$ (2,030,621)	\$ 441,081	\$ 2,030,621	\$ -	\$ -
Change in net position	\$ (458,724)	\$ 1,231,558	\$ (91,360)	\$ 1,638,028	\$ (550,084)	\$ 2,869,586
Beginning of year - as restated	6,751,788	5,623,710	10,204,159	8,629,173	16,955,947	14,252,883
End of year	\$ 6,293,064	\$ 6,855,268	\$ 10,112,799	\$ 10,267,201	\$ 16,405,863	\$ 17,122,469

The table above has not been restated for the implementation of GASB 101.

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 \$5,248,287, an increase of \$1,560,141 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 34% 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 \$544,621. Net position decreased \$91,360. 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 were less than budgetary estimates by \$628,253. Budgeted expenditures exceeded actual expenditures and other uses by \$1,741,831, resulting in a positive variance of \$1,113,578.

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, 2025 amounts to \$7,698,574 and \$13,385,429, 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 \$10,253,913. Of this amount, \$10,217,977 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents debt secured solely by specific property or specified revenue sources (i.e., notes, lease liabilities, or financed equipment purchases).

During the current fiscal year, the carrying value of the Town's total debt increased by \$2,346,018.

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 2026 fiscal year.

The fiscal year 2026 budget increased approximately 6% in comparison to 2025 due to increased scheduled debt service payments on new debt. Property tax rates remained unchanged except for the personal property rate was increased from \$1.25/100 to \$1.40/100.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Tappahannock, Virginia
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,612,772	\$ 392,894	\$ 2,005,666
Investments	1,235,990	56,041	1,292,031
Restricted cash - customer deposits	-	76,380	76,380
Receivables (net of allowance for uncollectibles):			
Taxes receivable	156,842	-	156,842
Accounts receivable	289,653	368,797	658,450
Notes receivable	216,362	-	216,362
Internal balances	44,742	(44,742)	-
Due from other governmental units	383,530	61,128	444,658
Prepaid expenses	8,840	-	8,840
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	1,965,624	-	1,965,624
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,811,835	-	2,811,835
Buildings and improvements	3,376,449	-	3,376,449
Utility plant in service	-	12,614,865	12,614,865
Machinery and equipment	1,047,914	770,564	1,818,478
Subscription assets	12,443	-	12,443
Lease equipment	26,376	-	26,376
Construction in progress	423,557	-	423,557
Total assets	<u>\$ 13,612,929</u>	<u>\$ 14,295,927</u>	<u>\$ 27,908,856</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 433,900	\$ 205,117	\$ 639,017
LIABILITIES			
Accounts payable	\$ 187,587	\$ 72,979	\$ 260,566
Accrued payroll	95,166	41,286	136,452
Accrued interest payable	51,090	22,126	73,216
Unearned revenue	216,362	-	216,362
Customer deposits payable	-	76,380	76,380
Long-term liabilities:			
Due within one year	271,362	884,509	1,155,871
Due in more than one year	6,766,693	3,224,773	9,991,466
Total liabilities	<u>\$ 7,588,260</u>	<u>\$ 4,322,053</u>	<u>\$ 11,910,313</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 16,211	\$ -	\$ 16,211
Pension related items	149,294	66,192	215,486
Total deferred inflows of resources	<u>\$ 165,505</u>	<u>\$ 66,192</u>	<u>\$ 231,697</u>
NET POSITION			
Net investment in capital assets	\$ 3,227,536	\$ 9,568,178	\$ 12,795,714
Unrestricted	3,065,528	544,621	3,610,149
Total net position	<u>\$ 6,293,064</u>	<u>\$ 10,112,799</u>	<u>\$ 16,405,863</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, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Governmental Activities	Primary Government Business-type Activities		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions		
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,777,641	\$ 25,936	\$ -	\$ (1,751,705)	\$ -	\$ -	\$ (1,751,705)
Public safety	1,570,539	61,117	97,204	(1,412,218)	-	-	(1,412,218)
Public works	1,855,754	206,938	312,145	(1,336,671)	-	-	(1,336,671)
Parks, recreation, and cultural	119,983	-	-	(119,983)	-	-	(119,983)
Community development	56,506	-	-	(56,506)	-	-	(56,506)
Interest on long-term debt	428,563	-	-	(428,563)	-	-	(428,563)
Total governmental activities	\$ 5,808,986	\$ 293,991	\$ 409,349	\$ (5,105,646)	\$ -	\$ -	\$ (5,105,646)
Business-type activities:							
Water and Sewer	\$ 2,673,546	\$ 1,823,578	\$ 198,286	\$ -	\$ (585,155)	\$ (585,155)	\$ (585,155)
Total business-type activities	\$ 2,673,546	\$ 1,823,578	\$ 198,286	\$ -	\$ (585,155)	\$ (585,155)	\$ (585,155)
Total primary government	\$ 8,482,532	\$ 2,117,569	\$ 607,635	\$ -	\$ (585,155)	\$ (585,155)	\$ (5,690,801)
General revenues:				\$ 541,197	\$ -	\$ -	\$ 541,197
General property taxes							
Other local taxes:							
Local sales and use taxes				325,185	-	-	325,185
Business license taxes				703,723	-	-	703,723
Bank stock tax				463,051	-	-	463,051
Restaurant food taxes				1,707,250	-	-	1,707,250
Other local taxes				586,199	-	-	586,199
Unrestricted revenues from use of money				159,699	3,769	3,769	163,468
Miscellaneous				183,973	48,945	48,945	232,918
Grants and contributions not restricted to specific programs				417,726	-	-	417,726
Transfers				(441,081)	441,081	-	-
Total general revenues and transfers				\$ 4,646,922	\$ 493,795	\$ 493,795	\$ 5,140,717
Change in net position				(458,724)	(91,360)	(91,360)	(550,084)
Net position - beginning, as previously reported				6,855,268	10,267,201	10,267,201	17,122,469
Restatement				(103,480)	(63,042)	(63,042)	(166,522)
Net position - beginning, as restated				\$ 6,751,788	\$ 10,204,159	\$ 10,204,159	\$ 16,955,947
Net position - ending				\$ 6,293,064	\$ 10,112,799	\$ 10,112,799	\$ 16,405,863

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, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 879,711	\$ 733,061	\$ 1,612,772
Investments	958,213	277,777	1,235,990
Receivables (net of allowance for uncollectibles):			
Taxes receivable	156,842	-	156,842
Accounts receivable	289,653	-	289,653
Notes receivable	216,362		216,362
Due from other funds	44,742	-	44,742
Due from other governmental units	110,535	272,995	383,530
Prepaid items	8,840		8,840
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	1,965,624	1,965,624
Total assets	<u>\$ 2,664,898</u>	<u>\$ 3,249,457</u>	<u>\$ 5,914,355</u>
LIABILITIES			
Accounts payable	\$ 179,170	\$ 8,417	\$ 187,587
Accrued payroll	95,166	-	95,166
Unearned revenue - grant funds	216,362	-	216,362
Total liabilities	<u>\$ 490,698</u>	<u>\$ 8,417</u>	<u>\$ 499,115</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 166,953	\$ -	\$ 166,953
Total deferred inflows of resources	<u>\$ 166,953</u>	<u>\$ -</u>	<u>\$ 166,953</u>
FUND BALANCES			
Nonspendable	\$ 225,202	\$ -	\$ 225,202
Committed	-	3,241,040	3,241,040
Unassigned	1,782,045	-	1,782,045
Total fund balances	<u>\$ 2,007,247</u>	<u>\$ 3,241,040</u>	<u>\$ 5,248,287</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,664,898</u>	<u>\$ 3,249,457</u>	<u>\$ 5,914,355</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, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,248,287
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,698,574
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		150,742
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		433,900
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	\$ (5,086,000)	
Note payable	(1,199,373)	
Premium on general obligation bond	(115,353)	
Subscription liabilities	(9,165)	
Lease liabilities	(26,771)	
Accrued interest payable	(51,090)	
Net pension liability	(386,791)	
Compensated absences	(214,602)	(7,089,145)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(149,294)
Net position of governmental activities	\$	6,293,064

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, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 525,293	\$ -	\$ 525,293
Other local taxes	3,785,408	-	3,785,408
Permits, privilege fees, and regulatory licenses	3,893	-	3,893
Fines and forfeitures	60,595	-	60,595
Revenue from the use of money and property	149,631	32,633	182,264
Charges for services	206,938	-	206,938
Miscellaneous	183,944	29	183,973
Intergovernmental:			
Commonwealth	236,836	263,895	500,731
Federal	14,199	312,145	326,344
Total revenues	<u>\$ 5,166,737</u>	<u>\$ 608,702</u>	<u>\$ 5,775,439</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,754,386	\$ -	\$ 1,754,386
Public safety	1,399,749	-	1,399,749
Public works	1,298,857	303,045	1,601,902
Parks, recreation, and cultural	-	797,167	797,167
Community development	-	177,765	177,765
Nondepartmental	280,150	-	280,150
Debt service:			
Principal retirement	253,275	-	253,275
Interest and other fiscal charges	244,904	-	244,904
Bond issuance costs	-	155,272	155,272
Total expenditures	<u>\$ 5,231,321</u>	<u>\$ 1,433,249</u>	<u>\$ 6,664,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (64,584)</u>	<u>\$ (824,547)</u>	<u>\$ (889,131)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 28	\$ 1,199,563	\$ 1,199,591
Transfers out	(1,640,672)	-	(1,640,672)
Issuance of general obligation bonds	915,000	1,975,353	2,890,353
Total other financing sources (uses)	<u>\$ (725,644)</u>	<u>\$ 3,174,916</u>	<u>\$ 2,449,272</u>
Net change in fund balances	\$ (790,228)	\$ 2,350,369	\$ 1,560,141
Fund balances - beginning	2,797,475	890,671	3,688,146
Fund balances - ending	<u>\$ 2,007,247</u>	<u>\$ 3,241,040</u>	<u>\$ 5,248,287</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, 2025

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

Net change in fund balances - total governmental funds \$ 1,560,141

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	\$ 1,050,911	
Depreciation expense	(431,745)	619,166

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

Property taxes	15,904
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Issuance of general obligation bonds	\$ (2,890,353)	
Principal retirement on general obligation bonds	135,800	
Principal retirement on notes payable	97,087	
Principal retirement on lease liabilities	11,496	
Principal retirement on subscription liabilities	8,892	(2,637,078)

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	\$ (6,600)	
Change in pension related items	18,130	
(Increase) decrease in accrued interest payable	(28,387)	(16,857)

Change in net position of governmental activities	\$ (458,724)
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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, 2025

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 392,894
Investments	56,041
Restricted cash - customer deposits	76,380
Accounts receivable, net of allowance for uncollectibles	368,797
Due from other governmental units	61,128
Total current assets	<u>\$ 955,240</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 12,614,865
Machinery and equipment	770,564
Total capital assets, net of accumulated depreciation	<u>\$ 13,385,429</u>
Total noncurrent assets	<u>\$ 13,385,429</u>
Total assets	<u>\$ 14,340,669</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>\$ 205,117</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 72,979
Accrued payroll	41,286
Accrued interest payable	22,126
Customer deposits payable	76,380
Due to general fund	44,742
Bonds and notes payable - current portion	872,296
Compensated absences - current portion	12,213
Total current liabilities	<u>\$ 1,142,022</u>
Noncurrent liabilities:	
Bonds and notes payable - net of current portion	\$ 2,944,955
Net pension liability	169,898
Compensated absences - net of current portion	109,920
Total noncurrent liabilities	<u>\$ 3,224,773</u>
Total liabilities	<u>\$ 4,366,795</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	<u>\$ 66,192</u>
 NET POSITION	
Net investment in capital assets	\$ 9,568,178
Unrestricted	544,621
Total net position	<u>\$ 10,112,799</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, 2025

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 1,823,578
Other revenues	48,945
Total operating revenues	\$ 1,872,523
OPERATING EXPENSES	
Personnel services	\$ 697,623
Fringe benefits	280,485
Contractual services	89,679
Other supplies and expenses	752,229
Depreciation	767,522
Total operating expenses	\$ 2,587,538
Operating income (loss)	\$ (715,015)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 3,769
Connection/availability fees	66,527
Local government contribution	51,638
Water mapping grant	146,648
Interest expense	(86,008)
Total nonoperating revenues (expenses)	\$ 182,574
Income (loss) before transfers	\$ (532,441)
Transfers in	444,946
Transfers out	(3,865)
Change in net position	\$ (91,360)
Total net position - beginning, as previously reported	\$ 10,267,201
Restatement	(63,042)
Total net position - beginning, as restated	\$ 10,204,159
Total net position - ending	\$ 10,112,799

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, 2025

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,877,382
Payments for operating expenses	(801,741)
Payments to and for employees	(967,042)
Payments for interfund services used	25,226
Net cash provided by (used for) operating activities	<u>\$ 133,825</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 444,946
Transfers to other funds	(3,865)
State of Virginia contribution	85,520
Local government contribution	51,638
Net cash provided by (used for) noncapital financing activities	<u>\$ 578,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (596,947)
Principal payments on bonds payable	(499,952)
Debt issuance	216,428
Connection fees	66,527
Interest payments	(85,668)
Net cash provided by (used for) capital and related financing activities	<u>\$ (899,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 983
Net cash provided by (used for) investing activities	<u>\$ 983</u>
Net increase (decrease) in cash and cash equivalents	\$ (186,565)
Cash and cash equivalents - beginning, including restricted cash of \$70,706	655,839
Cash and cash equivalents - ending, including restricted cash of \$76,380	<u>\$ 469,274</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (715,015)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 767,522
(Increase) decrease in accounts receivable	(4,979)
(Increase) decrease in prepaid expenses	4,164
(Increase) decrease in deferred outflows of pension related items	(81,245)
Increase (decrease) in customer deposits payable	5,674
Increase (decrease) in accounts payable	40,167
Increase (decrease) in accrued payroll	12,064
Increase (decrease) in compensated absences	2,495
Increase (decrease) in net pension liability	51,316
Increase (decrease) in deferred inflows of pension related items	26,436
Increase (decrease) in due to other funds	25,226
Total adjustments	<u>\$ 848,840</u>
Net cash provided by (used for) operating activities	<u>\$ 133,825</u>

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

Town of Tappahannock, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2025

	Cemetery Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 180,965</u>
NET POSITION	
Restricted	
Cemetery perpetual care	<u>\$ 180,965</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, 2025

	<u>Cemetery Private Purpose Trust Fund</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 6,643
Investment earnings:	
Interest	\$ 6,245
Total additions	\$ 12,888
DEDUCTIONS	
Cemetery fees	\$ 1,584
Change in net position	\$ 11,304
Net position - beginning	169,661
Net position - ending	\$ 180,965

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, 2025

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, 2025.

Discretely Presented Component Units - The Town has no discretely presented component units at June 30, 2025.

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 in a trustee capacity or as 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.

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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

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

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 \$84,462 at June 30, 2025 and is comprised of property taxes of \$47,191 and water, sewer, garbage, and service connection charges of \$37,271.

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. Prepaid Items

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

H. 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)

H. 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, and subscription assets, are depreciated/amortized using the straight-line method over the following estimated useful lives (or life of the associated contract for lease and subscription assets):

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

I. 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). Subsequently, the lease liability is reduced by the principal portion of lease 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. Subsequently, 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)

I. 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, 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). Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Subsequently, 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 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, 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)

J. Compensated Absences

The liability for compensated absences represents amounts owed to employees for earned but unused vacation and other leave benefits. In accordance with GASB Statement No. 101, *Compensated Absences*, this liability is recognized when the leave is attributable to services already rendered, the leave accumulates, and it is probable that the leave will be used or paid. The liability is measured using the pay rates in effect as of the reporting date, including salary-related payments that are directly and incrementally associated with payments for compensated absences. The portion of the liability expected to be paid within one year is reported as a current liability in the financial statements.

K. 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.

L. 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)

M. Pensions

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

N. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Balance

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

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

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

O. Fund Balance (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Town 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:			
Nonspendable:			
Notes receivable	\$ 216,362	\$ -	\$ 216,362
Prepaid items	8,840	-	8,840
Total nonspendable	<u>\$ 225,202</u>	<u>\$ -</u>	<u>\$ 225,202</u>
Committed:			
Capital projects	<u>\$ -</u>	<u>\$ 3,241,040</u>	<u>\$ 3,241,040</u>
Unassigned	<u>\$ 1,782,045</u>	<u>\$ -</u>	<u>\$ 1,782,045</u>
Total fund balances	<u><u>\$ 2,007,247</u></u>	<u><u>\$ 3,241,040</u></u>	<u><u>\$ 5,248,287</u></u>

P. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent 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.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 30th, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund 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 and Capital Improvements Funds of the primary government and the Water and Sewer Fund of the business-type activities.
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. A supplemental appropriation was 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, 2025.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

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, 2025, were rated by Standard & Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAAf/S1+
Local Government Investment Pool Extended Maturity	-	\$ 1,292,032
State Non-Arbitrage Program	1,965,624	-
Total	\$ 1,965,624	\$ 1,292,032

Interest Rate Risk

Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Local Government Investment Pool Extended Maturity	\$ 1,292,032	\$ -	\$ 1,292,032
State Non-Arbitrage Program	1,965,624	1,965,624	-
Total	\$ 3,257,656	\$ 1,965,624	\$ 1,292,032

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due from Other Governments:

At June 30, 2025, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Other Local Governments:		
County of Essex	\$ 88,653	\$ -
Commonwealth of Virginia:		
Communications tax	6,562	-
Rolling stock tax	4	-
Auto rental tax	8,679	-
Industrial Revitalization Grant	9,100	-
VEDP VBRSP Airport Infra Dev Grant	213,895	-
VDH Water Mapping LSL Grant	-	61,128
SERCAP Sewer Rehab Grant	50,000	-
Federal Government:		
Transportation safety	6,637	-
Total due from other governments	<u>\$ 383,530</u>	<u>\$ 61,128</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,811,835	\$ -	\$ -	\$ 2,811,835
Construction in progress	1,833,224	798,444	2,208,111	423,557
Total capital assets not subject to depreciation	<u>\$ 4,645,059</u>	<u>\$ 798,444</u>	<u>\$ 2,208,111</u>	<u>\$ 3,235,392</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 2,283,159	\$ 2,217,006	\$ -	\$ 4,500,165
Machinery and equipment	2,603,031	243,572	214,867	2,631,736
Subscription asset	37,480	-	-	37,480
Lease equipment	58,641	-	-	58,641
Total capital assets subject to depreciation	<u>\$ 4,982,311</u>	<u>\$ 2,460,578</u>	<u>\$ 214,867</u>	<u>\$ 7,228,022</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,055,057	\$ 68,659	\$ -	\$ 1,123,716
Machinery and equipment	1,456,241	342,448	214,867	1,583,822
Subscription asset	16,073	8,964	-	25,037
Lease equipment	20,591	11,674	-	32,265
Total accumulated depreciation	<u>\$ 2,547,962</u>	<u>\$ 431,745</u>	<u>\$ 214,867</u>	<u>\$ 2,764,840</u>
Total capital assets subject to depreciation, net	<u>\$ 2,434,349</u>	<u>\$ 2,028,833</u>	<u>\$ -</u>	<u>\$ 4,463,182</u>
Governmental activities capital assets, net	<u>\$ 7,079,408</u>	<u>\$ 2,827,277</u>	<u>\$ 2,208,111</u>	<u>\$ 7,698,574</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Construction in progress	\$ 1,789,254	\$ 241,233	\$2,030,487	\$ -
Total capital assets not subject to depreciation	\$ 1,789,254	\$ 241,233	\$2,030,487	\$ -
Capital assets subject to depreciation:				
Utility plant in service	\$ 23,366,973	\$ 2,084,422	\$ -	\$ 25,451,395
Machinery and equipment	1,276,869	310,251	11,553	1,575,567
Total capital assets subject to depreciation	\$ 24,643,842	\$ 2,394,673	\$ 11,553	\$ 27,026,962
Accumulated depreciation:				
Utility plant in service	\$ 12,300,168	\$ 536,362	\$ -	\$ 12,836,530
Machinery and equipment	576,924	231,160	3,081	805,003
Total accumulated depreciation	\$ 12,877,092	\$ 767,522	\$ 3,081	\$ 13,641,533
Total capital assets subject to depreciation, net	\$ 11,766,750	\$ 1,627,151	\$ 8,472	\$ 13,385,429
Business-type activities capital assets, net	\$ 13,556,004	\$ 1,868,384	\$2,038,959	\$ 13,385,429

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 104,470
Public safety	137,589
Public works	189,686
Total depreciation expense - governmental activities	\$ 431,745
Business-type activities:	
Water and Sewer fund	\$ 767,522
Total depreciation expense - primary government	\$ 1,199,267

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 6—Long-term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2025:

	Balance at July 1, 2024	Restatement	Restated Balance at July 1, 2024	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Primary Government Obligations:							
Governmental Activities:							
Compensated absences*	\$ 104,522	\$ 103,480	\$ 208,002	\$ 6,600	\$ -	\$ 214,602	\$ 21,460
Net pension liability	245,040	-	245,040	835,424	693,673	386,791	-
Subscription liabilities	18,057	-	18,057	-	8,892	9,165	9,165
Lease liabilities	38,267	-	38,267	-	11,496	26,771	11,780
Direct borrowings and placements:							
Notes payable	1,296,460	-	1,296,460	-	97,087	1,199,373	100,357
Premium on general obligation bonds	-	-	-	115,353	-	115,353	-
General obligation bonds	2,446,800	-	2,446,800	2,775,000	135,800	5,086,000	128,600
Total Governmental Activities Obligations	\$ 4,149,146	\$ 103,480	\$ 4,252,626	\$3,732,377	\$ 946,948	\$ 7,038,055	\$ 271,362
Business-type Activities:							
Compensated absences*	\$ 56,596	\$ 63,042	\$ 119,638	\$ 2,495	\$ -	\$ 122,133	\$ 12,213
Net pension liability	118,582	-	118,582	363,623	312,307	169,898	-
Direct borrowings and placements:							
Premium on general obligation bonds	-	-	-	16,428	-	16,428	-
General obligation bonds	4,100,775	-	4,100,775	200,000	499,952	3,800,823	872,296
Total Business-type Activities Obligations	\$ 4,275,953	\$ 63,042	\$ 4,338,995	\$ 582,546	\$ 812,259	\$ 4,109,282	\$ 884,509
Total Primary Government Obligations	\$ 8,425,099	\$ 166,522	\$ 8,591,621	\$4,314,923	\$1,759,207	\$11,147,337	\$1,155,871

* The change in compensated absences above is a net change for the year

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

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		Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 128,600	\$ 231,139	\$ 100,357	\$ 38,166	\$ 9,165	\$ 283	\$ 11,780	\$ 598
2027	190,500	228,698	158,387	34,116	-	-	8,996	324
2028	201,400	219,686	93,418	31,985	-	-	3,984	123
2029	208,300	210,245	96,750	28,652	-	-	2,011	19
2030	220,200	200,357	100,110	25,293	-	-	-	-
2031	231,200	189,911	92,804	21,840	-	-	-	-
2032	238,200	179,034	552,268	10,140	-	-	-	-
2033	251,300	167,683	5,279	29	-	-	-	-
2034	264,300	155,699	-	-	-	-	-	-
2035	246,000	143,621	-	-	-	-	-	-
2036	257,000	131,500	-	-	-	-	-	-
2037	265,000	118,910	-	-	-	-	-	-
2038	279,000	105,768	-	-	-	-	-	-
2039	293,000	91,926	-	-	-	-	-	-
2040	307,000	77,383	-	-	-	-	-	-
2041	322,000	62,108	-	-	-	-	-	-
2042	342,000	46,552	-	-	-	-	-	-
2043	358,000	30,687	-	-	-	-	-	-
2044	208,000	17,316	-	-	-	-	-	-
2045	135,000	9,103	-	-	-	-	-	-
2046	140,000	3,063	-	-	-	-	-	-
Total	\$5,086,000	\$ 2,620,389	\$ 1,199,373	\$190,221	\$ 9,165	\$ 283	\$ 26,771	\$ 1,064

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

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
2026	\$ 872,296	\$ 64,973
2027	911,127	50,939
2028	423,578	40,601
2029	427,657	35,242
2030	436,874	29,642
2031	81,897	24,481
2032	83,561	21,279
2033	90,278	17,897
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	68,206	3,336
2041	34,415	842
Total	\$ 3,800,823	\$ 351,962

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

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	\$ 246,000	\$ 23,600
General obligation bond - Citizens and Farmers	3.99%	semi-annual	04/18/23	2043	2,250,000	2,100,000	81,000
General obligation bond - Huntington Bank	6.42%	semi-annual	07/17/24	2044	915,000	880,000	24,000
General obligation bond - VRA	5.125%	semi-annual	05/20/25	2046	1,860,000	1,860,000	-
General obligation bond premium	n/a	n/a	05/20/25	2046	115,353	115,353	-
Total general obligation bonds						\$ 5,201,353	\$ 128,600
Note payable - Union Bank and Trust for park land	3.88%	monthly	08/11/16	2027	165,409	\$ 79,421	\$ 11,845
Note payable - United Bank for property	3.25%	monthly	11/08/21	2032	870,000	755,870	35,106
Note payable - USDA for sanitation truck	2.25%	monthly	08/24/22	2033	123,500	91,201	11,894
Note payable - USDA for sanitation truck	3.75%	monthly	03/18/24	2031	260,300	218,586	34,753
Note payable - USDA for tractor & mower	2.50%	monthly	11/07/22	2033	71,000	54,295	6,759
Total notes payable						\$ 1,199,373	\$ 100,357
Other long-term obligations:							
Subscriptions liabilities:							
Subscription liability - dispatch software	3.559%	monthly	07/01/22	2026	9,897	\$ 2,123	\$ 2,123
Subscription liability - financial software	2.895%	monthly	03/31/23	2026	27,583	7,042	7,042
Total subscription liabilities						\$ 9,165	\$ 9,165
Lease liabilities:							
Equipment lease - copier	0.625%	monthly	07/01/21	2026	16,405	\$ 3,586	\$ 3,308
Equipment lease - postage equipment	0.243%	monthly	07/01/22	2027	23,047	9,553	4,704
Equipment lease - postage equipment	2.842%	monthly	01/30/24	2029	7,988	5,669	1,563
Equipment lease - copier	2.842%	monthly	01/17/24	2029	11,201	7,963	2,205
Total lease liabilities						\$ 26,771	\$ 11,780
Other long-term obligations:							
Compensated absences						\$ 214,602	\$ 21,460
Net pension liability						386,791	-
Total Obligations - Governmental Activities						\$ 7,038,055	\$ 271,362
Business-type Activities:							
Direct borrowings and placements:							
General obligation bond - VRA	0%	semi-annual	05/01/08	2030	\$ 4,993,434	\$ 1,238,712	\$ 247,743
General obligation bond - VML VACO	2.10%	semi-annual	03/15/10	2030	1,585,000	518,469	98,681
General obligation bond - Essex Bank	3.125%	semi-annual	07/17/20	2041	545,000	431,660	22,995
General obligation bond - Blue Ridge Bank	3.24%	semi-annual	03/30/21	2041	518,500	438,913	21,327
General obligation refunding bond - Truist Bank	2.07%	semi-annual	05/06/21	2041	1,464,000	973,069	481,550
General obligation bond - VRA	5.125%	semi-annual	05/20/25	2033	200,000	200,000	-
General obligation bond premium	n/a	n/a	05/20/25	2033	16,428	16,428	-
Total general obligation bonds						\$ 3,817,251	\$ 872,296
Other long-term obligations:							
Compensated absences						\$ 122,133	\$ 12,213
Net pension liability						169,898	-
Total Obligations - Business-type Activities						\$ 4,109,282	\$ 884,509
Total - Primary Government						\$ 11,147,337	\$ 1,155,871

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 6—Long-term Obligations: (Continued)

The governmental activities and business-type activities general obligation bonds are secured by the full faith and credit of the Town and are payable from taxes levied on all property located within the Town.

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 \$166,953 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$150,742 at June 30, 2025.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2025 but paid in advance by the taxpayers totaled \$16,211 at June 30, 2025.

Note 8—Litigation:

At June 30, 2025, 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.

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, 2025

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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	24
Inactive members:	
Vested inactive members	3
Non-vested inactive members	14
Inactive members active elsewhere in VRS	10
Total inactive members	27
Active members	34
Total covered employees	85

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, 2025 was 11.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$272,679 and \$215,841 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$10,652 for the Town for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$8,438

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 10—Pension Plan: (Continued)

Contributions (Continued)

for the Town for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,213,989 for the Town for the year ended June 30, 2025.

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, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

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, 2023, 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, 2024.

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

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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, 2025

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2023, 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, 2024.

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, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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, 2025

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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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, 2023	\$ 7,600,404	\$ 7,236,782	\$ 363,622
Changes for the year:			
Service cost	\$ 206,810	\$ -	\$ 206,810
Interest	511,666	-	511,666
Differences between expected and actual experience	468,258	-	468,258
Contributions - employer	-	216,158	(216,158)
Contributions - employee	-	86,229	(86,229)
Net investment income	-	695,848	(695,848)
Benefit payments, including refunds	(453,958)	(453,958)	-
Administrative expenses	-	(4,706)	4,706
Other changes	-	138	(138)
Net changes	\$ 732,776	\$ 539,709	\$ 193,067
Balances at June 30, 2024	\$ 8,333,180	\$ 7,776,491	\$ 556,689

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

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:

	<u>Rate</u>		
	<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) \$	1,615,589 \$	556,689 \$	(312,437)

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

For the year ended June 30, 2025, the Town recognized pension expense of \$251,376. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 350,321	\$ -
Net difference between projected and actual earnings on pension plan investments	-	199,469
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,017	16,017
Employer contributions subsequent to the measurement date	<u>272,679</u>	<u>-</u>
Total	<u>\$ 639,017</u>	<u>\$ 215,486</u>

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TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

Note 10—Pension Plan: (Continued)

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

\$272,679 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, 2026. 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>		
2026	\$	3,277
2027		209,386
2028		(19,284)
2029		(42,527)
2030		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-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, 2025, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 28	\$ 1,640,672
Capital projects	1,199,563	-
Water and sewer	444,946	3,865
Total	\$ 1,644,537	\$ 1,644,537

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

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 VAcorp. VAcorp 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 VAcorp. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2025 was \$4,950.

Note 14-Upcoming Pronouncements:

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.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, 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.

TOWN OF TAPPAHANNOCK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

Note 15-Change in Accounting Principle:

During the year ended June 30, 2025, the Town implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement guidance for compensated absences that are attributable to services already rendered and that are expected to be paid or settled. Implementation of this Statement required the recognition of a liability for certain leave benefits previously unrecorded or measured differently under prior standards.

The adoption of GASB 101 resulted in a restatement of beginning net position as shown in Note 16 below.

Note 16-Restatement of Beginning Balances:

The beginning net position as of July 1, 2024, has been restated to reflect the cumulative effect of implementing GASB Statement No. 101, *Compensated Absences*.

The impact of these adjustments on beginning net position is as follows:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>
Net position as previously stated	\$ 6,855,268	\$ 10,267,201
Implementation of GASB 101:		
Compensated absences liability	<u>(103,480)</u>	<u>(63,042)</u>
Net position as restated	<u>\$ 6,751,788</u>	<u>\$ 10,204,159</u>

Note 17-Contractual Commitments:

On May 12, 2025, Town Council awarded a \$1,800,000 contract to Connemara for Central Park Phase Two improvements. The outstanding balance as of June 30, 2025 was \$1,800,000.

Note 18-Subsequent Events:

On February 9, 2026, Town Council approved spending up to \$50,000 for sewer line improvements.

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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 494,060	\$ 494,060	\$ 525,293	\$ 31,233
Other local taxes	4,150,760	4,150,760	3,785,408	(365,352)
Permits, privilege fees, and regulatory licenses	2,600	2,600	3,893	1,293
Fines and forfeitures	41,885	41,885	60,595	18,710
Revenue from the use of money and property	140,191	140,191	149,631	9,440
Charges for services	214,250	214,250	206,938	(7,312)
Miscellaneous	28,565	28,565	183,944	155,379
Intergovernmental:				
Commonwealth	228,365	228,365	236,836	8,471
Federal	1,409,342	1,409,342	14,199	(1,395,143)
Total revenues	<u>\$ 6,710,018</u>	<u>\$ 6,710,018</u>	<u>\$ 5,166,737</u>	<u>\$ (1,543,281)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,641,307	\$ 1,641,307	\$ 1,754,386	\$ (113,079)
Public safety	1,437,433	1,437,433	1,399,749	37,684
Public works	2,705,220	2,705,220	1,298,857	1,406,363
Nondepartmental	629,822	629,822	280,150	349,672
Debt service:				
Principal retirement	238,955	238,955	253,275	(14,320)
Interest and other fiscal charges	156,695	156,695	244,904	(88,209)
Total expenditures	<u>\$ 6,809,432</u>	<u>\$ 6,809,432</u>	<u>\$ 5,231,321</u>	<u>\$ 1,578,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (99,414)</u>	<u>\$ (99,414)</u>	<u>\$ (64,584)</u>	<u>\$ 34,830</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 28	\$ 28
Transfers out	(1,577,755)	(1,804,392)	(1,640,672)	163,720
Issuance of general obligation bonds	-	-	915,000	915,000
Total other financing sources (uses)	<u>\$ (1,577,755)</u>	<u>\$ (1,804,392)</u>	<u>\$ (725,644)</u>	<u>\$ 1,078,748</u>
Net change in fund balances	<u>\$ (1,677,169)</u>	<u>\$ (1,903,806)</u>	<u>\$ (790,228)</u>	<u>\$ 1,113,578</u>
Fund balances - beginning	1,677,169	1,903,806	2,797,475	893,669
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,007,247</u>	<u>\$ 2,007,247</u>

Town of Tappahannock, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total pension liability			
Service cost	\$ 206,810	\$ 177,013	\$ 167,438
Interest	511,666	490,908	464,912
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	468,258	44,525	118,397
Benefit payments	(453,958)	(415,486)	(334,903)
Net change in total pension liability	<u>\$ 732,776</u>	<u>\$ 296,960</u>	<u>\$ 415,844</u>
Total pension liability - beginning	<u>7,600,404</u>	<u>7,303,444</u>	<u>6,887,600</u>
Total pension liability - ending (a)	<u><u>\$ 8,333,180</u></u>	<u><u>\$ 7,600,404</u></u>	<u><u>\$ 7,303,444</u></u>
 Plan fiduciary net position			
Contributions - employer	\$ 216,158	\$ 186,454	\$ 146,571
Contributions - employee	86,229	74,734	69,597
Net investment income	695,848	444,834	(6,242)
Benefit payments	(453,958)	(415,486)	(334,903)
Administrator charges	(4,706)	(4,456)	(4,411)
Other	138	179	163
Net change in plan fiduciary net position	<u>\$ 539,709</u>	<u>\$ 286,259</u>	<u>\$ (129,225)</u>
Plan fiduciary net position - beginning	<u>7,236,782</u>	<u>6,950,523</u>	<u>7,079,748</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,776,491</u></u>	<u><u>\$ 7,236,782</u></u>	<u><u>\$ 6,950,523</u></u>
 Town's net pension liability (asset) - ending (a) - (b)	 \$ 556,689	 \$ 363,622	 \$ 352,921
 Plan fiduciary net position as a percentage of the total pension liability	 93.32%	 95.22%	 95.17%
 Covered payroll	 \$ 1,889,826	 \$ 1,617,116	 \$ 1,406,328
 Town's net pension liability (asset) as a percentage of covered payroll	 29.46%	 22.49%	 25.10%

	2021	2020	2019	2018	2017	2016	2015
\$	156,850	\$ 139,844	\$ 119,856	\$ 122,521	\$ 127,232	\$ 111,978	\$ 127,043
	418,589	368,832	373,427	376,527	346,351	343,664	332,321
	-	-	-	-	339,327	-	-
	200,016	-	167,847	-	(95,542)	-	-
	63,861	511,074	(289,974)	(298,701)	(53,632)	(131,191)	(4,640)
	(306,057)	(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)
\$	533,259	\$ 760,587	\$ 146,996	\$ (64,751)	\$ 463,548	\$ (47,506)	\$ 241,328
	6,354,341	5,593,754	5,446,758	5,511,509	5,047,961	5,095,467	4,854,139
\$	6,887,600	\$ 6,354,341	\$ 5,593,754	\$ 5,446,758	\$ 5,511,509	\$ 5,047,961	\$ 5,095,467
\$	117,288	\$ 66,094	\$ 67,416	\$ 100,641	\$ 102,506	\$ 92,300	\$ 91,197
	65,451	60,090	60,782	60,102	61,345	61,857	61,405
	1,541,772	108,771	361,408	381,171	564,952	78,795	210,894
	(306,057)	(259,163)	(224,160)	(265,098)	(200,188)	(371,957)	(213,396)
	(3,851)	(3,732)	(3,590)	(3,325)	(3,232)	(3,051)	(2,909)
	145	(128)	(227)	(337)	(504)	(34)	(46)
\$	1,414,748	\$ (28,068)	\$ 261,629	\$ 273,154	\$ 524,879	\$ (142,090)	\$ 147,145
	5,665,000	5,693,068	5,431,439	5,158,285	4,633,406	4,775,496	4,628,351
\$	7,079,748	\$ 5,665,000	\$ 5,693,068	\$ 5,431,439	\$ 5,158,285	\$ 4,633,406	\$ 4,775,496
\$	(192,148)	\$ 689,341	\$ (99,314)	\$ 15,319	\$ 353,224	\$ 414,555	\$ 319,971
	102.79%	89.15%	101.78%	99.72%	93.59%	91.79%	93.72%
\$	1,320,446	\$ 1,254,802	\$ 1,263,697	\$ 1,230,149	\$ 1,251,059	\$ 1,263,195	\$ 1,236,201
	-14.55%	54.94%	-7.86%	1.25%	28.23%	32.82%	25.88%

Town of Tappahannock, Virginia
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution* (1)	Contributions in Relation to Contractually Required Contribution* (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 272,679	\$ 272,679	\$ -	\$ 2,274,215	11.99%
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%

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

Town of Tappahannock, Virginia
 Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended June 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025

	Capital Projects Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 32,633	\$ 32,633
Miscellaneous	-	-	29	29
Intergovernmental:				
Commonwealth	2,265,370	-	263,895	263,895
Federal	-	-	312,145	312,145
Total revenues	<u>\$ 2,265,370</u>	<u>\$ -</u>	<u>\$ 608,702</u>	<u>\$ 608,702</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ 303,045	\$ (303,045)
Parks, recreation, and cultural	4,752,600	2,637,400	797,167	1,840,233
Community development	-	-	177,765	(177,765)
Debt service:				
Bond issuance costs	-	-	155,272	(155,272)
Total expenditures	<u>\$ 4,752,600</u>	<u>\$ 2,637,400</u>	<u>\$ 1,433,249</u>	<u>\$ 1,204,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,487,230)</u>	<u>\$ (2,637,400)</u>	<u>\$ (824,547)</u>	<u>\$ 1,812,853</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,195,725	\$ -	\$ 1,199,563	\$ 1,199,563
Proceeds of general obligation bonds	978,050	1,808,000	1,975,353	167,353
Total other financing sources (uses)	<u>\$ 2,173,775</u>	<u>\$ 1,808,000</u>	<u>\$ 3,174,916</u>	<u>\$ 1,366,916</u>
Net change in fund balances	\$ (313,455)	\$ (829,400)	\$ 2,350,369	\$ 3,179,769
Fund balances - beginning	313,455	829,400	890,671	61,271
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,241,040</u>	<u>\$ 3,241,040</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, 2025

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	\$ 262,545	\$ 262,545	\$ 261,239	\$ (1,306)
Real and personal public service corporation taxes	-	-	5,513	5,513
Personal property taxes	228,575	228,575	250,821	22,246
Penalties	1,685	1,685	5,231	3,546
Interest and fees	1,255	1,255	2,489	1,234
Total general property taxes	<u>\$ 494,060</u>	<u>\$ 494,060</u>	<u>\$ 525,293</u>	<u>\$ 31,233</u>
Other local taxes:				
Local sales and use taxes	\$ 365,629	\$ 365,629	\$ 325,185	\$ (40,444)
Consumers' utility taxes	50,785	50,785	54,374	3,589
Consumption tax	12,385	12,385	14,385	2,000
Business license taxes	867,170	867,170	703,723	(163,447)
Tobacco tax	155,845	155,845	124,745	(31,100)
Motor vehicle licenses	53,285	53,285	52,016	(1,269)
Bank stock taxes	639,626	639,626	463,051	(176,575)
Hotel and motel room taxes	354,515	354,515	340,679	(13,836)
Restaurant food taxes	1,651,520	1,651,520	1,707,250	55,730
Total other local taxes	<u>\$ 4,150,760</u>	<u>\$ 4,150,760</u>	<u>\$ 3,785,408</u>	<u>\$ (365,352)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 522	\$ 22
Permits and other licenses	2,100	2,100	3,371	1,271
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 3,893</u>	<u>\$ 1,293</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 41,885	\$ 41,885	\$ 60,595	\$ 18,710
Revenue from use of money and property:				
Revenue from use of money	\$ 45,226	\$ 45,226	\$ 127,066	\$ 81,840
Revenue from use of property	94,965	94,965	22,565	(72,400)
Total revenue from use of money and property	<u>\$ 140,191</u>	<u>\$ 140,191</u>	<u>\$ 149,631</u>	<u>\$ 9,440</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 214,250	\$ 214,250	\$ 206,938	\$ (7,312)
Miscellaneous:				
Miscellaneous	\$ 28,565	\$ 28,565	\$ 183,944	\$ 155,379
Total revenue from local sources	<u>\$ 5,072,311</u>	<u>\$ 5,072,311</u>	<u>\$ 4,915,702</u>	<u>\$ (156,609)</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

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:				
Communications tax	\$ 43,970	\$ 43,970	\$ 41,122	\$ (2,848)
Auto rental tax	52,805	52,805	58,533	5,728
Rolling stock tax	-	-	4	4
Personal property tax relief funds	54,170	54,170	54,172	2
Total noncategorical aid	<u>\$ 150,945</u>	<u>\$ 150,945</u>	<u>\$ 153,831</u>	<u>\$ 2,886</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ 62,420	\$ 62,420	\$ 68,005	\$ 5,585
Fire programs	15,000	15,000	15,000	-
Total other categorical aid	<u>\$ 77,420</u>	<u>\$ 77,420</u>	<u>\$ 83,005</u>	<u>\$ 5,585</u>
Total categorical aid	<u>\$ 77,420</u>	<u>\$ 77,420</u>	<u>\$ 83,005</u>	<u>\$ 5,585</u>
Total revenue from the Commonwealth	<u>\$ 228,365</u>	<u>\$ 228,365</u>	<u>\$ 236,836</u>	<u>\$ 8,471</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ 6,075	\$ 6,075	\$ 8,555	\$ 2,480
COVID-19 American Rescue Plan Act	1,403,267	1,403,267	-	(1,403,267)
Criminal justice	-	-	2,444	2,444
JAG Byrne grant	-	-	3,200	3,200
Total other categorical aid	<u>\$ 1,409,342</u>	<u>\$ 1,409,342</u>	<u>\$ 14,199</u>	<u>\$ (1,395,143)</u>
Total revenue from the federal government	<u>\$ 1,409,342</u>	<u>\$ 1,409,342</u>	<u>\$ 14,199</u>	<u>\$ (1,395,143)</u>
Total General Fund	<u>\$ 6,710,018</u>	<u>\$ 6,710,018</u>	<u>\$ 5,166,737</u>	<u>\$ (1,543,281)</u>

Town of Tappahannock, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

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	\$ -	\$ -	\$ 32,633	\$ 32,633
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 29	\$ 29
Total revenue from local sources	\$ -	\$ -	\$ 32,662	\$ 32,662
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Other noncategorical aid	\$ 2,265,370	\$ -	\$ 263,895	\$ 263,895
Total noncategorical aid	\$ 2,265,370	\$ -	\$ 263,895	\$ 263,895
Total revenue from the Commonwealth	\$ 2,265,370	\$ -	\$ 263,895	\$ 263,895
Revenue from the federal government:				
Categorical aid:				
Flood prevention grant	\$ -	\$ -	\$ 312,145	\$ 312,145
Total categorical aid	\$ -	\$ -	\$ 312,145	\$ 312,145
Total revenue from the federal government	\$ -	\$ -	\$ 312,145	\$ 312,145
Total Capital Projects Fund	\$ 2,265,370	\$ -	\$ 608,702	\$ 608,702
Total Revenues -- Primary Government	\$ 8,975,388	\$ 6,710,018	\$ 5,775,439	\$ (934,579)

Town of Tappahannock, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Schedule 2
Page 1 of 2

<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	\$ 1,641,307	\$ 1,641,307	\$ 1,754,386	\$ (113,079)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,337,038	\$ 1,337,038	\$ 1,301,234	\$ 35,804
Fire and rescue services:				
Fire department	\$ 90,395	\$ 90,395	\$ 90,395	\$ -
Ambulance and rescue services	10,000	10,000	8,120	1,880
Total fire and rescue services	\$ 100,395	\$ 100,395	\$ 98,515	\$ 1,880
Total public safety	\$ 1,437,433	\$ 1,437,433	\$ 1,399,749	\$ 37,684
Public works:				
Public works	\$ 2,705,220	\$ 2,705,220	\$ 1,298,857	\$ 1,406,363
Nondepartmental:				
Unclassified	\$ 629,822	\$ 629,822	\$ 280,150	\$ 349,672
Debt service:				
Principal retirement	\$ 238,955	\$ 238,955	\$ 253,275	\$ (14,320)
Interest and other fiscal charges	156,695	156,695	244,904	(88,209)
Total debt service	\$ 395,650	\$ 395,650	\$ 498,179	\$ (102,529)
Total General Fund	\$ 6,809,432	\$ 6,809,432	\$ 5,231,321	\$ 1,578,111

Town of Tappahannock, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

Schedule 2
 Page 2 of 2

<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 Works:				
Public works:				
Miscellaneous	\$ -	\$ -	\$ 303,045	\$ (303,045)
Parks, recreation, and cultural:				
Parks and rec:				
Park	\$ 4,752,600	\$ 2,637,400	\$ 797,167	\$ 1,840,233
Planning and Community Development:				
Community Development:				
Revitalization	\$ -	\$ -	\$ 177,765	\$ (177,765)
Debt service:				
Issuance costs	\$ -	\$ -	\$ 155,272	\$ (155,272)
Total debt service	\$ -	\$ -	\$ 155,272	\$ (155,272)
Total Capital Projects Fund	\$ 4,752,600	\$ 2,637,400	\$ 1,433,249	\$ 1,204,151
Total Expenditures -- Primary Government	\$ 11,562,032	\$ 9,446,832	\$ 6,664,570	\$ 2,782,262

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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
	\$				\$				\$		
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	1,249,616	1,292,328	1,268,078	-	276,216	124,031	2,249,886	6,460,155			
2025	1,777,641	1,570,539	1,855,754	119,983	56,506	428,563	2,673,546	8,482,532			

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Revenues from Use of Money	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
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		
2025	2,117,569	607,635	66,527	541,197	3,785,408	163,468	232,918	417,726	7,932,448		

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
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
2025	1,754,386	1,399,749	1,298,857	-	498,179	280,150	5,231,321

(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
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
2025	525,293	3,785,408	3,893	60,595	149,631	206,938	183,944	-	251,035	5,166,737

(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		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes to Tax Levy		
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%	
2025	614,337	556,404	90.57%	15,341	571,745	93.07%	191,312	31.14%	

(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 (3)	Mobile Homes	Public Utility (2)			Total
						Real Estate	Personal Property	Real Estate	
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	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	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
2025	292,276,715	18,794,863	15,122,013	12,816,875	956,894	6,125,162	-	-	346,092,522

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

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

(3) Includes farm machinery.

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	Farm Machinery	Public Utility	
							Real Estate	Personal Property
2016	\$ 0.10	\$ 1.25	\$ -	\$ 1.00	\$ 0.10	\$ 0.25	\$ 0.10	\$ 1.25
2017	0.10	1.25	-	1.00	0.10	0.25	0.10	1.25
2018	0.10	1.25	0.25	0.20	0.10	0.25	0.10	1.25
2019	0.10	1.25	0.25	0.20	0.10	0.25	0.10	1.25
2020	0.10	1.25	0.25	0.20	0.10	0.25	0.10	1.25
2021	0.10	1.25	0.25	0.20	0.10	0.25	0.10	1.25
2022	0.09	1.25	0.40	0.40	0.10	0.25	0.09	1.25
2023	0.09	1.25	0.40	0.40	0.09	0.25	0.09	1.25
2024	0.09	1.25	0.40	0.40	0.09	0.25	0.09	1.25
2025	0.09	1.25	0.40	0.40	0.09	0.25	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
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
2025	2,400	346,092,522	9,018,604	9,018,604	2.61%	3,758

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

(2) From Table 6

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

**Town of Tappahannock, Virginia
Computation of Legal Debt Margin
At June 30, 2025**

Assessed value of real property, January 1, 2025 (1)	<u>\$ 298,401,877</u>
Debt limit:	
10% of assessed value	\$ 29,840,188
Amount of debt applicable to debt limit:	
Gross debt (2)	<u>\$ 10,086,196</u>
Legal debt limit	<u>\$ 19,753,992</u>

(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, 2025, 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 April 8, 2026.

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, Fournier, Cox Associates

Richmond, Virginia
April 8, 2026