

TOWN OF TAPPAHANNOCK, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tappahannock, Virginia, as of June 30, 2019, 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension on pages 4-9, 51, and 52-54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Tappahannock, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020, on our consideration of Town of Tappahannock, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Tappahannock, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Tappahannock, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
January 22, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Town of Tappahannock, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. 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 \$9,452,800 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other financing uses of \$152,851 (Exhibit 5).

- < As of the close of the current fiscal year; the Town's funds reported an ending fund balance of \$1,295,294, a decrease of \$152,851 in comparison with the prior year.
- < The combined long-term obligations decreased \$841,068 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 of the Town's 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 of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, 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 general public and use the accrual basis of accounting, similar to private sector business.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,452,800 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,382,080	\$ 1,484,039	\$ 388,061	\$ 496,478	\$ 1,770,141	\$ 1,980,517
Capital assets	2,829,983	2,609,031	12,743,722	12,988,161	15,573,705	15,597,192
Total assets	<u>\$ 4,212,063</u>	<u>\$ 4,093,070</u>	<u>\$ 13,131,783</u>	<u>\$ 13,484,639</u>	<u>\$ 17,343,846</u>	<u>\$ 17,577,709</u>
Deferred outflows of resources	\$ 54,963	\$ 74,398	\$ 12,817	\$ 26,243	\$ 67,780	\$ 100,641
Current liabilities	\$ 54,739	\$ 6,303	\$ 107,278	\$ 115,858	\$ 162,017	\$ 122,161
Long-term liabilities outstanding	1,423,333	1,522,425	6,008,765	6,750,741	7,432,098	8,273,166
Total liabilities	<u>\$ 1,478,072</u>	<u>\$ 1,528,728</u>	<u>\$ 6,116,043</u>	<u>\$ 6,866,599</u>	<u>\$ 7,594,115</u>	<u>\$ 8,395,327</u>
Deferred inflows of resources	\$ 270,384	\$ 183,656	\$ 94,327	\$ 63,758	\$ 364,711	\$ 247,414
Net position:						
Net investment in capital assets	\$ 1,527,735	\$ 1,470,146	\$ 6,764,657	\$ 6,358,550	\$ 8,292,392	\$ 7,828,696
Unrestricted	990,835	984,938	169,573	221,975	1,160,408	1,206,913
Total net position	<u>\$ 2,518,570</u>	<u>\$ 2,455,084</u>	<u>\$ 6,934,230</u>	<u>\$ 6,580,525</u>	<u>\$ 9,452,800</u>	<u>\$ 9,035,609</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$417,191. 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 129,639	\$ 122,671	\$ 1,198,312	\$ 1,235,675	\$ 1,327,951	\$ 1,358,346
Operating grants and contributions	68,004	67,533	207,947	177,327	275,951	244,860
General revenues:						
General property taxes	422,979	411,625	-	-	422,979	411,625
Other local taxes	2,116,511	2,058,009	-	-	2,116,511	2,058,009
Grants and other contributions not restricted	153,726	157,077	-	-	153,726	157,077
Other general revenues	16,400	26,235	328	215	16,728	26,450
Total revenues	\$ 2,907,259	\$ 2,843,150	\$ 1,406,587	\$ 1,413,217	\$ 4,313,846	\$ 4,256,367
Expenses:						
General government administration						
General government administration	\$ 584,429	\$ 806,533	\$ -	\$ -	\$ 584,429	\$ 806,533
Public safety	995,823	1,077,311	-	-	995,823	1,077,311
Public works	747,816	843,817	1,511,670	1,600,444	2,259,486	2,444,261
Interest and other fiscal charges	56,917	34,139	-	-	56,917	34,139
Total expenses	\$ 2,384,985	\$ 2,761,800	\$ 1,511,670	\$ 1,600,444	\$ 3,896,655	\$ 4,362,244
Transfers	\$ (458,788)	\$ (295,075)	\$ 458,788	\$ 295,075	\$ -	\$ -
Change in net position	\$ 63,486	\$ (213,725)	\$ 353,705	\$ 107,848	\$ 417,191	\$ (105,877)
Beginning of year	2,455,084	2,668,809	6,580,525	6,472,677	9,035,609	9,141,486
End of year	<u>\$ 2,518,570</u>	<u>\$ 2,455,084</u>	<u>\$ 6,934,230</u>	<u>\$ 6,580,525</u>	<u>\$ 9,452,800</u>	<u>\$ 9,035,609</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a fund balance of \$1,295,294, a decrease of \$152,851 in comparison with the prior year. Unassigned General Fund balance at year-end constituted approximately 84% 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 \$169,573. Net position increased \$353,705. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year, revenues and other sources exceeded budgetary estimates by \$173,161. Budgeted expenditures exceeded expenditures and other uses by \$195,952 resulting in a positive variance of \$369,113.

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, 2019 amounts to \$2,829,983 and \$12,743,722, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the Town had total debt outstanding of \$7,021,640. Of this amount, \$6,736,667 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents debt secured solely by specific property or specified revenue sources (i.e., notes or capital leases).

During the current fiscal year, the carrying value of the Town's total debt decreased by \$443,904.

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.

All of these factors were considered in preparing the Town's budget for the 2020 fiscal year.

The fiscal year 2020 budget decreased approximately 1% in comparison to 2019 and property tax rates remained unchanged.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Tappahannock, Virginia
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,134,086	\$ 105,813	\$ 1,239,899
Restricted cash - customer deposits	-	69,435	69,435
Receivables (net of allowance for uncollectibles):			
Taxes receivable	46,845	-	46,845
Accounts receivable	106,979	216,567	323,546
Internal balances	3,754	(3,754)	-
Due from other governmental units	90,416	-	90,416
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,180,615	-	1,180,615
Buildings and improvements	1,323,689	-	1,323,689
Utility plant in service	-	12,684,853	12,684,853
Machinery and equipment	310,804	58,869	369,673
Construction in progress	14,875	-	14,875
Total assets	<u>\$ 4,212,063</u>	<u>\$ 13,131,783</u>	<u>\$ 17,343,846</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 54,963	\$ 12,817	\$ 67,780
LIABILITIES			
Accounts payable	\$ 44,912	\$ 2,421	\$ 47,333
Accrued interest payable	9,827	35,422	45,249
Customer deposits payable	-	69,435	69,435
Long-term liabilities:			
Due within one year	235,914	629,837	865,751
Due in more than one year	1,187,419	5,378,928	6,566,347
Total liabilities	<u>\$ 1,478,072</u>	<u>\$ 6,116,043</u>	<u>\$ 7,594,115</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 2,973	\$ -	\$ 2,973
Pension related items	267,411	94,327	361,738
Total deferred inflows of resources	<u>\$ 270,384</u>	<u>\$ 94,327</u>	<u>\$ 364,711</u>
NET POSITION			
Net investment in capital assets	\$ 1,527,735	\$ 6,764,657	\$ 8,292,392
Unrestricted (deficit)	990,835	169,573	1,160,408
Total net position	<u>\$ 2,518,570</u>	<u>\$ 6,934,230</u>	<u>\$ 9,452,800</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, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Primary Government		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 584,429	\$ 1,985	\$ -	\$ (582,444)	\$ -	\$ (582,444)
Public safety	995,823	39,766	68,004	(888,053)	-	(888,053)
Public works	747,816	87,888	-	(659,928)	-	(659,928)
Interest on long-term debt	56,917	-	-	(56,917)	-	(56,917)
Total governmental activities	\$ 2,384,985	\$ 129,639	\$ 68,004	\$ (2,187,342)	\$ -	\$ (2,187,342)
Business-type activities:						
Water and Sewer	\$ 1,511,670	\$ 1,198,312	\$ 207,947	\$ -	\$ (105,411)	\$ (105,411)
Total business-type activities	\$ 1,511,670	\$ 1,198,312	\$ 207,947	\$ -	\$ (105,411)	\$ (105,411)
Total primary government	\$ 3,896,655	\$ 1,327,951	\$ 275,951	\$ -	\$ (105,411)	\$ (2,292,753)
General revenues:						
General property taxes	\$ 422,979	\$ -	\$ -	\$ 422,979	\$ -	\$ 422,979
Other local taxes:						
Local sales and use taxes	255,837	-	-	255,837	-	255,837
Business license taxes	577,699	-	-	577,699	-	577,699
Bank stock tax	191,870	-	-	191,870	-	191,870
Restaurant food taxes	803,230	-	-	803,230	-	803,230
Other local taxes	287,875	-	-	287,875	-	287,875
Unrestricted revenues from use of money and property	1,695	-	328	1,695	328	2,023
Miscellaneous	14,705	-	-	14,705	-	14,705
Grants and contributions not restricted to specific programs	153,726	-	-	153,726	-	153,726
Transfers	(458,788)	-	458,788	(458,788)	458,788	-
Total general revenues and transfers	\$ 2,250,828	\$ 459,116	\$ 2,709,944	\$ 2,250,828	\$ 459,116	\$ 2,709,944
Change in net position	\$ 63,486	\$ 353,705	\$ 417,191	\$ 63,486	\$ 353,705	\$ 417,191
Net position - beginning	2,455,084	6,580,525	9,035,609	2,455,084	6,580,525	9,035,609
Net position - ending	\$ 2,518,570	\$ 6,934,230	\$ 9,452,800	\$ 2,518,570	\$ 6,934,230	\$ 9,452,800

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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 932,628	\$ 201,458	\$ -	\$ 1,134,086
Receivables (net of allowance for uncollectibles):				
Taxes receivable	46,845	-	-	46,845
Accounts receivable	106,979	-	-	106,979
Due from other funds	3,754	-	-	3,754
Due from other governmental units	90,416	-	-	90,416
Total assets	<u>\$ 1,180,622</u>	<u>\$ 201,458</u>	<u>\$ -</u>	<u>\$ 1,382,080</u>
LIABILITIES				
Accounts payable	\$ 44,912	\$ -	\$ -	\$ 44,912
Total liabilities	<u>\$ 44,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,912</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 41,874	\$ -	\$ -	\$ 41,874
Total deferred inflows of resources	<u>\$ 41,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,874</u>
FUND BALANCES				
Committed	\$ -	\$ 201,458	\$ -	\$ 201,458
Unassigned	1,093,836	-	-	1,093,836
Total fund balances	<u>\$ 1,093,836</u>	<u>\$ 201,458</u>	<u>\$ -</u>	<u>\$ 1,295,294</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,180,622</u>	<u>\$ 201,458</u>	<u>\$ -</u>	<u>\$ 1,382,080</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,295,294
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,829,983
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		38,901
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		54,963
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	\$	(882,275)
General obligation note		(135,000)
Note payable		(273,302)
Capital leases		(11,671)
Accrued interest payable		(9,827)
Net pension liability		(11,324)
Compensated absences		(109,761)
		(1,433,160)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(267,411)
Net position of governmental activities	\$	2,518,570

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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 415,984	\$ -	\$ -	\$ 415,984
Other local taxes	2,116,511	-	-	2,116,511
Permits, privilege fees, and regulatory licenses	2,850	-	-	2,850
Fines and forfeitures	38,901	-	-	38,901
Revenue from the use of money and property	935	758	2	1,695
Charges for services	87,888	-	-	87,888
Miscellaneous	14,705	-	-	14,705
Intergovernmental:				
Commonwealth	218,370	-	-	218,370
Federal	3,360	-	-	3,360
Total revenues	<u>\$ 2,899,504</u>	<u>\$ 758</u>	<u>\$ 2</u>	<u>\$ 2,900,264</u>
EXPENDITURES				
Current:				
General government administration	\$ 707,401	\$ -	\$ -	\$ 707,401
Public safety	1,212,037	-	1,212	1,213,249
Public works	721,655	-	-	721,655
Nondepartmental	63,074	-	-	63,074
Debt service:				
Principal retirement	208,137	-	-	208,137
Interest and other fiscal charges	52,311	-	-	52,311
Total expenditures	<u>\$ 2,964,615</u>	<u>\$ -</u>	<u>\$ 1,212</u>	<u>\$ 2,965,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (65,111)</u>	<u>\$ 758</u>	<u>\$ (1,210)</u>	<u>\$ (65,563)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (458,788)	\$ -	\$ -	\$ (458,788)
Issuance of note payable	371,500	-	-	371,500
Total other financing sources (uses)	<u>\$ (87,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (87,288)</u>
Net change in fund balances	\$ (152,399)	\$ 758	\$ (1,210)	\$ (152,851)
Fund balances - beginning	1,246,235	200,700	1,210	1,448,145
Fund balances - ending	<u>\$ 1,093,836</u>	<u>\$ 201,458</u>	<u>\$ -</u>	<u>\$ 1,295,294</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, 2019

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

Net change in fund balances - total governmental funds \$ (152,851)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 385,885	
Depreciation expense	(164,933)	220,952

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

Property taxes		6,995
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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 note payable	\$ (371,500)	
Principal retirement on general obligation bonds	100,476	
Principal retirement on general obligation note	25,000	
Principal retirement on notes payable	71,652	
Principal retirement on capital leases	11,009	(163,363)

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	\$ 12,662	
Pension expense	143,697	
(Increase) decrease in accrued interest payable	(4,606)	151,753

Change in net position of governmental activities		<u>\$ 63,486</u>
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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, 2019

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 105,813
Restricted cash - customer deposits	69,435
Accounts receivable, net of allowance for uncollectibles	216,567
Total current assets	\$ 391,815
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Utility plant in service	\$ 12,684,853
Machinery and equipment	58,869
Total capital assets, net of accumulated depreciation	\$ 12,743,722
Total noncurrent assets	\$ 12,743,722
Total assets	\$ 13,135,537
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 12,817
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,421
Accrued interest payable	35,422
Customer deposits payable	69,435
Due to general fund	3,754
Bonds payable - current portion	627,266
Compensated absences - current portion	2,571
Total current liabilities	\$ 740,869
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 5,092,126
Unamortized issuance premium	259,673
Net pension liability	3,995
Compensated absences - net of current portion	23,134
Total noncurrent liabilities	\$ 5,378,928
Total liabilities	\$ 6,119,797
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 94,327
 NET POSITION	
Net investment in capital assets	\$ 6,764,657
Unrestricted	169,573
Total net position	\$ 6,934,230

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, 2019

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 1,193,942
Other revenues	4,370
Total operating revenues	<u>\$ 1,198,312</u>
OPERATING EXPENSES	
Personnel services and fringe benefits	\$ 464,157
Contractual services	35,037
Other supplies and expenses	388,681
Depreciation	543,230
Total operating expenses	<u>\$ 1,431,105</u>
Operating income (loss)	<u>\$ (232,793)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 328
Connection/availability fees	54,600
Local government contribution	153,347
Interest expense	(80,565)
Total nonoperating revenues (expenses)	<u>\$ 127,710</u>
Income (loss) before transfers	\$ (105,083)
Transfers in	458,788
Change in net position	<u>\$ 353,705</u>
Total net position - beginning	6,580,525
Total net position - ending	<u><u>\$ 6,934,230</u></u>

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

Town of Tappahannock, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,200,840
Payments for operating expenses	(428,810)
Payments to and for employees	(511,592)
Payments for interfund services used	3,754
Net cash provided by (used for) operating activities	<u>\$ 264,192</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 458,788
Local government contribution	153,347
Net cash provided by (used for) noncapital financing activities	<u>\$ 612,135</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (298,791)
Principal payments on bonds payable	(607,267)
Connection fees	54,600
Interest payments	(127,332)
Net cash provided by (used for) capital and related financing activities	<u>\$ (978,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 328
Net cash provided by (used for) investing activities	<u>\$ 328</u>
Net increase (decrease) in cash and cash equivalents	\$ (102,135)
Cash and cash equivalents - beginning, including restricted cash of \$59,462	277,383
Cash and cash equivalents - ending, including restricted cash of \$69,435	<u>\$ 175,248</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (232,793)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	543,230
(Increase) decrease in accounts receivable	2,528
(Increase) decrease in deferred outflows of pension related items	13,426
Increase (decrease) in customer deposits payable	9,973
Increase (decrease) in accounts payable	(15,065)
Increase (decrease) in compensated absences	(3,318)
Increase (decrease) in deferred inflows of pension related items	30,569
Increase (decrease) in net pension liability	(88,112)
Increase (decrease) in due to other funds	3,754
Total adjustments	<u>\$ 496,985</u>
Net cash provided by (used for) operating activities	<u>\$ 264,192</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, 2019

	Cemetery Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 157,558
	<u>157,558</u>
NET POSITION	
Held for cemetery perpetual care	\$ 157,558
	<u>157,558</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, 2019

	Cemetery Private Purpose <u>Trust Fund</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	<u>\$ 1,034</u>
Investment earnings:	
Interest	<u>\$ 368</u>
Total additions	<u>\$ 1,402</u>
DEDUCTIONS	
Cemetery fees	<u>\$ 1,844</u>
Change in net position	\$ (442)
Net position - beginning	<u>158,000</u>
Net position - ending	<u><u>\$ 157,558</u></u>

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

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Town of Tappahannock, Virginia

Notes to Financial Statements
As of June 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units - The Town has no blended component units at June 30, 2019.

Discretely Presented Component Units - The Town has no discretely presented component units at June 30, 2019.

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

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

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

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

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

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

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

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

1. Governmental Funds

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

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

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

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

1. Governmental Funds (Continued)

b. Special Revenue Funds

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Drug Enforcement Fund, which is considered a nonmajor fund.

c. Capital Projects Fund

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

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to 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 general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

3. Fiduciary Funds - (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Trust Funds, which consist of the Cemetery Private Purpose Trust Fund. Fiduciary funds are not included in the government-wide financial statements.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

E. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

F. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$70,551 at June 30, 2019 and is comprised of property taxes of \$13,832 and water, sewer, garbage, and service connection charges of \$56,719.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (with the exception of land values) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was attributable to capital assets for the year ended June 30, 2019.

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

G. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Furniture, Vehicles, and Office Equipment	5-10
Infrastructure	20-40

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

K. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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

L. Pensions

For purposes of measuring the net pension 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.

M. Long-term Obligations

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

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

N. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

N. Fund Equity (Continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the General Fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP basis expenditures and other financing sources and uses.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General	Capital Projects Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Committed:			
Capital projects	\$ -	\$ 201,458	\$ 201,458
	<u> </u>	<u> </u>	<u> </u>
Unassigned	\$ 1,093,836	\$ -	\$ 1,093,836
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	\$ 1,093,836	\$ 201,458	\$ 1,295,294
	<u> </u>	<u> </u>	<u> </u>

O. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date. For more detailed information on this item, reference the related note.

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

P. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the Drug Enforcement Fund at June 30, 2019.

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 in excess of 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.

Note 3—Deposits and Investments: (Continued)

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town has no such investments at June 30, 2019.

Note 4—Due from Other Governments:

At June 30, 2019, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
County of Essex	\$ 74,511
Commonwealth of Virginia:	
Communications tax	8,580
Auto rental tax	<u>7,325</u>
Total due from other governments	<u><u>\$ 90,416</u></u>

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Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,081,444	\$ 99,171	\$ -	\$ 1,180,615
Construction in progress	-	14,875	-	14,875
Total capital assets not subject to depreciation	<u>\$ 1,081,444</u>	<u>\$ 114,046</u>	<u>\$ -</u>	<u>\$ 1,195,490</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,898,654	\$ 201,781	\$ -	\$ 2,100,435
Machinery and equipment	1,161,966	70,058	71,413	1,160,611
Total capital assets subject to depreciation	<u>\$ 3,060,620</u>	<u>\$ 271,839</u>	<u>\$ 71,413</u>	<u>\$ 3,261,046</u>
Accumulated depreciation:				
Buildings and improvements	\$ 727,435	\$ 49,311	\$ -	\$ 776,746
Machinery and equipment	805,598	115,622	71,413	849,807
Total accumulated depreciation	<u>\$ 1,533,033</u>	<u>\$ 164,933</u>	<u>\$ 71,413</u>	<u>\$ 1,626,553</u>
Total capital assets subject to depreciation, net	<u>\$ 1,527,587</u>	<u>\$ 106,906</u>	<u>\$ -</u>	<u>\$ 1,634,493</u>
Governmental activities capital assets, net	<u><u>\$ 2,609,031</u></u>	<u><u>\$ 220,952</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,829,983</u></u>

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Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Business-type activities:</i>				
Capital assets subject to depreciation:				
Utility plant in service	\$ 22,032,535	\$ 262,465	\$ -	\$ 22,295,000
Machinery and equipment	275,536	36,326	-	311,862
Total capital assets subject to depreciation	<u>\$ 22,308,071</u>	<u>\$ 298,791</u>	<u>\$ -</u>	<u>\$ 22,606,862</u>
Accumulated depreciation:				
Utility plant in service	\$ 9,077,755	\$ 532,392	\$ -	\$ 9,610,147
Machinery and equipment	242,155	10,838	-	252,993
Total accumulated depreciation	<u>\$ 9,319,910</u>	<u>\$ 543,230</u>	<u>\$ -</u>	<u>\$ 9,863,140</u>
Total capital assets subject to depreciation, net	<u>\$ 12,988,161</u>	<u>\$ (244,439)</u>	<u>\$ -</u>	<u>\$ 12,743,722</u>
Business-type activities capital assets, net	<u><u>\$ 12,988,161</u></u>	<u><u>\$ (244,439)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,743,722</u></u>

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities:	
General government administration	\$ 58,154
Public safety	24,620
Public works	<u>82,159</u>
Total depreciation expense - governmental activities	<u>\$ 164,933</u>
Business-type activities:	
Water and Sewer fund	<u>\$ 543,230</u>
Total depreciation expense - primary government	<u><u>\$ 708,163</u></u>

Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 6—Long-term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year ended June 30, 2019:

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
Compensated absences	\$ 122,423	\$ -	\$ 12,662	\$ 109,761	\$ 10,976
Net pension liability	261,117	371,621	621,414	11,324	-
Capital leases	22,680	-	11,009	11,671	11,671
Direct borrowings and placements:					
Notes payable	344,954	-	71,652	273,302	73,691
General obligation note	160,000	-	25,000	135,000	20,000
General obligation bonds	611,251	371,500	100,476	882,275	119,576
Total Governmental Activities Obligations	\$ 1,522,425	\$ 743,121	\$ 842,213	\$ 1,423,333	\$ 235,914
Business-type Activities:					
Compensated absences	\$ 29,023	\$ -	\$ 3,318	\$ 25,705	\$ 2,571
Net pension liability	92,107	131,090	219,202	3,995	-
Direct borrowings and placements:					
General obligation bonds	6,326,659	-	607,267	5,719,392	627,266
Adjustment for deferred amounts:					
Issuance premium	302,952	-	43,279	259,673	-
Total Business-type Activities Obligations	\$ 6,750,741	\$ 131,090	\$ 873,066	\$ 6,008,765	\$ 629,837
Total Primary Government Obligations	\$ 8,273,166	\$ 874,211	\$ 1,715,279	\$ 7,432,098	\$ 865,751

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Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30,	Governmental Activities							
	Direct Borrowings and Direct Placements						Capital Leases	
	General Obligation Bond		General Obligation Note		Note Payable		Principal	Interest
	Principal	Interest	Principal	Interest (1)	Principal	Interest	Principal	Interest
2020	\$ 119,576	\$ 22,217	\$ 20,000	n/a	\$ 73,691	\$ 9,988	\$ 11,671	\$ 700
2021	120,276	19,471	25,000	n/a	58,631	6,823	-	-
2022	120,976	16,700	20,000	n/a	140,980	1,038	-	-
2023	125,963	13,860	25,000	n/a	-	-	-	-
2024	126,684	10,950	20,000	n/a	-	-	-	-
2025	22,800	9,086	25,000	n/a	-	-	-	-
2026	23,600	8,267	-	-	-	-	-	-
2027	24,500	7,418	-	-	-	-	-	-
2028	25,400	6,538	-	-	-	-	-	-
2029	26,300	5,625	-	-	-	-	-	-
2030	27,200	4,681	-	-	-	-	-	-
2031	28,200	3,703	-	-	-	-	-	-
2032	29,200	2,690	-	-	-	-	-	-
2033	30,300	1,640	-	-	-	-	-	-
2034	31,300	552	-	-	-	-	-	-
Total	<u>\$ 882,275</u>	<u>\$ 133,398</u>	<u>\$ 135,000</u>	<u>n/a</u>	<u>\$ 273,302</u>	<u>\$ 17,849</u>	<u>\$ 11,671</u>	<u>\$ 700</u>

(1) The interest payments on this bond are not available. The interest rate is based on the commercial paper rate.

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Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

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
2020	\$ 627,266	\$ 119,478
2021	637,267	105,020
2022	652,266	88,798
2023	668,080	70,758
2024	693,058	50,812
2025	692,742	30,559
2026	342,743	18,930
2027	347,742	15,404
2028	347,743	11,692
2029	352,742	7,981
2030	357,743	4,083
Total	\$ 5,719,392	\$ 523,515

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Town of Tappahannock, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 6—Long-term Obligations: (Continued)

Primary Government Obligations:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Governmental Activities:						
Direct borrowings and placements:						
General obligation bond - VML through BB&T	2%	04/23/13	2024	\$ 996,409	\$ 510,775	\$ 100,476
General obligation bond - VML VACO	3.53%	10/16/18	2034	371,500	371,500	19,100
General obligation note - VML VACO	Variable	04/01/05	2025	450,000	135,000	20,000
Note payable - Union Bank and Trust for dump truck	4.75%	12/11/14	2021	162,220	42,698	29,836
Note payable - Union Bank and Trust for park land	3.88%	08/11/16	2021	165,409	141,127	9,219
Note payable - Union Bank and Trust for refuse truck	4.25%	12/15/16	2019	169,850	89,477	34,636
Other long-term debt:						
Capital lease - Police vehicle	6%	11/03/17	2019	22,680	11,671	11,671
Compensated absences payable					109,761	10,976
Net pension liability					11,324	-
Total Obligations - Governmental Activities					<u>\$ 1,423,333</u>	<u>\$ 235,914</u>
Business-type Activities:						
Direct borrowings and placements:						
General obligation bond - VRA	0%	05/01/08	2030	\$ 4,993,434	\$ 2,725,167	\$ 247,742
General obligation bond - VML VACO	2.10%	03/15/10	2030	1,585,000	1,025,000	80,000
General obligation bond - BB&T	2.05%	04/23/13	2024	193,591	99,225	19,524
General obligation bond - VRA \$1,870,000, plus unamortized premium of \$259,673	3.125-5.125%	08/10/16	2025	2,410,000	2,129,673	280,000
Other long-term debt:						
Compensated absences					25,705	2,571
Net pension liability					3,995	-
Total Obligations - Business-type Activities					<u>\$ 6,008,765</u>	<u>\$ 629,837</u>
Total - Primary Government					<u>\$ 7,432,098</u>	<u>\$ 865,751</u>

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Note 7—Capital Leases:

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

The asset acquired through capital lease is as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicle	\$ 35,051
Less: accumulated depreciation	<u>(10,515)</u>
Net	<u><u>\$ 24,536</u></u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2020	<u>12,371</u>
Total minimum lease payments	\$ 12,371
Less: amount representing interest	<u>(700)</u>
Present value of minimum lease payments	<u><u>\$ 11,671</u></u>

Note 8—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue totaling \$41,874 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$38,901 at June 30, 2019.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$2,973 at June 30, 2019.

Note 9—Litigation:

At June 30, 2019, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of workers' compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

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

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

Note 11—Pension Plans: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

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Note 11—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	2
Non-vested inactive members	8
Inactive members active elsewhere in VRS	10
Total inactive members	20
Active members	33
Total covered employees	68

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, 2019 was 5.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$67,780 and \$100,641 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) 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. The Town’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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Note 11—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11—Pension Plans: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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Note 11—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
 Total	 <u>100.00%</u>		 <u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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Note 11—Pension Plans: (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 5,511,509	\$ 5,158,285	\$ 353,224
Changes for the year:			
Service cost	\$ 122,521	\$ -	\$ 122,521
Interest	376,527	-	376,527
Differences between expected and actual experience	(298,701)	-	(298,701)
Contributions - employer	-	100,641	(100,641)
Contributions - employee	-	60,102	(60,102)
Net investment income	-	381,171	(381,171)
Benefit payments, including refunds	(265,098)	(265,098)	-
Administrative expenses	-	(3,325)	3,325
Other changes	-	(337)	337
Net changes	\$ (64,751)	\$ 273,154	\$ (337,905)
Balances at June 30, 2018	\$ 5,446,758	\$ 5,431,439	\$ 15,319

Note 11—Pension Plans: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	\$ 735,131	\$ 15,319	\$ (581,283)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$(120,034). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 279,364
Change in assumptions	-	39,340
Net difference between projected and actual earnings on pension plan investments	-	43,034
Employer contributions subsequent to the measurement date	67,780	-
Total	\$ 67,780	\$ 361,738

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Note 11—Pension Plans: (Continued)

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

\$67,780 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 in the fiscal year ending June 30, 2020. 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>	
2020	\$ (134,910)
2021	(100,533)
2022	(121,519)
2023	(4,776)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12-Surety Bonds:

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

Note 13-Interfund Transfers:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 458,788
Water and Sewer	458,788	-
Total	<u>\$ 458,788</u>	<u>\$ 458,788</u>

Note 13-Interfund Transfers: (Continued)

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

Note 14-Line of Duty Act (LODA) (OPEB Benefits):

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

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML Insurance Programs. VML Insurance Programs 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 VML Insurance Programs. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2019 was \$4,645.

Note 15-Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 16-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 16-Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Tappahannock, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
REVENUES				
General property taxes	\$ 394,162	\$ 394,162	\$ 415,984	\$ 21,822
Other local taxes	1,990,033	1,990,033	2,116,511	126,478
Permits, privilege fees, and regulatory licenses	880	880	2,850	1,970
Fines and forfeitures	18,000	18,000	38,901	20,901
Revenue from the use of money and property	400	400	935	535
Charges for services	90,500	90,500	87,888	(2,612)
Miscellaneous	55,500	55,500	14,705	(40,795)
Intergovernmental:				
Commonwealth	176,868	176,868	218,370	41,502
Federal	-	-	3,360	3,360
Total revenues	\$ 2,726,343	\$ 2,726,343	\$ 2,899,504	\$ 173,161
EXPENDITURES				
Current:				
General government administration	\$ 781,513	\$ 781,513	\$ 707,401	\$ 74,112
Public safety	947,384	1,318,884	1,212,037	106,847
Public works	903,903	903,903	721,655	182,248
Nondepartmental	70,390	70,390	63,074	7,316
Debt service:				
Principal retirement	187,309	187,309	208,137	(20,828)
Interest and other fiscal charges	37,356	37,356	52,311	(14,955)
Total expenditures	\$ 2,927,855	\$ 3,299,355	\$ 2,964,615	\$ 334,740
Excess (deficiency) of revenues over (under) expenditures	\$ (201,512)	\$ (573,012)	\$ (65,111)	\$ 507,901
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (320,000)	\$ (320,000)	\$ (458,788)	\$ (138,788)
Issuance of notes	-	371,500	371,500	-
Total other financing sources (uses)	\$ (320,000)	\$ 51,500	\$ (87,288)	\$ (138,788)
Net change in fund balances	\$ (521,512)	\$ (521,512)	\$ (152,399)	\$ 369,113
Fund balances - beginning	521,512	521,512	1,246,235	724,723
Fund balances - ending	\$ -	\$ -	\$ 1,093,836	\$ 1,093,836

Town of Tappahannock, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 122,521	\$ 127,232	\$ 111,978	\$ 127,043	\$ 120,777
Interest	376,527	346,351	343,664	332,321	313,729
Changes of benefit terms	-	339,327	-	-	-
Changes of assumptions	-	(95,542)	-	-	-
Differences between expected and actual experience	(298,701)	(53,632)	(131,191)	(4,640)	-
Benefit payments, including refunds of employee contributions	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Net change in total pension liability	\$ (64,751)	\$ 463,548	\$ (47,506)	\$ 241,328	\$ 310,099
Total pension liability - beginning	5,511,509	5,047,961	5,095,467	4,854,139	4,544,040
Total pension liability - ending (a)	\$ 5,446,758	\$ 5,511,509	\$ 5,047,961	\$ 5,095,467	\$ 4,854,139
Plan fiduciary net position					
Contributions - employer	\$ 100,641	\$ 102,506	\$ 92,300	\$ 91,197	\$ 106,239
Contributions - employee	60,102	61,345	61,857	61,405	67,081
Net investment income	381,171	564,952	78,795	210,894	628,737
Benefit payments, including refunds of employee contributions	(265,098)	(200,188)	(371,957)	(213,396)	(124,407)
Administrative expense	(3,325)	(3,232)	(3,051)	(2,909)	(3,315)
Other	(337)	(504)	(34)	(46)	33
Net change in plan fiduciary net position	\$ 273,154	\$ 524,879	\$ (142,090)	\$ 147,145	\$ 674,368
Plan fiduciary net position - beginning	5,158,285	4,633,406	4,775,496	4,628,351	3,953,983
Plan fiduciary net position - ending (b)	\$ 5,431,439	\$ 5,158,285	\$ 4,633,406	\$ 4,775,496	\$ 4,628,351
Town's net pension liability - ending (a) - (b)	\$ 15,319	\$ 353,224	\$ 414,555	\$ 319,971	\$ 225,788
Plan fiduciary net position as a percentage of the total pension liability	99.72%	93.59%	91.79%	93.72%	95.35%
Covered payroll	\$ 1,230,149	\$ 1,251,059	\$ 1,263,195	\$ 1,236,201	\$ 1,313,717
Town's net pension liability as a percentage of covered payroll	1.25%	28.23%	32.82%	25.88%	17.19%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Town of Tappahannock, Virginia
 Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 67,780	\$ 67,780	-	\$ 1,263,697	5.36%
2018	100,641	100,641	-	1,230,149	8.18%
2017	102,506	102,506	-	1,251,059	8.19%
2016	93,603	93,603	-	1,263,195	7.41%
2015	91,602	91,602	-	1,236,201	7.41%
2014	101,944	101,944	-	1,313,717	7.76%
2013	98,452	98,452	-	1,268,713	7.76%
2012	56,856	56,856	-	1,246,832	4.56%
2011	57,498	57,498	-	1,260,918	4.56%
2010	40,983	40,983	-	1,205,381	3.40%

Contributions are from the VRS actuarial valuation performed each year.

Town of Tappahannock, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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, 2019

	Capital Projects Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 758	\$ 758
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 758	\$ 758
Net change in fund balances	\$ -	\$ -	\$ 758	\$ 758
Fund balances - beginning	-	-	200,700	200,700
Fund balances - ending	\$ -	\$ -	\$ 201,458	\$ 201,458

Town of Tappahannock, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2019

	Drug Enforcement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2	\$ 2
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 1,212	\$ (1,212)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212</u>	<u>\$ (1,212)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,210)</u>	<u>\$ (1,210)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,210)	\$ (1,210)
Fund balances - beginning	-	-	1,210	1,210
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPORTING SCHEDULES

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Town of Tappahannock, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 2

<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	\$ 223,000	\$ 223,000	\$ 254,295	\$ 31,295
Real and personal public service corporation taxes	-	-	6,659	6,659
Personal property taxes	168,828	168,828	144,081	(24,747)
Penalties	2,334	2,334	4,816	2,482
Interest and fees	-	-	6,133	6,133
Total general property taxes	<u>\$ 394,162</u>	<u>\$ 394,162</u>	<u>\$ 415,984</u>	<u>\$ 21,822</u>
Other local taxes:				
Local sales and use taxes	\$ 240,000	\$ 240,000	\$ 255,837	\$ 15,837
Consumers' utility taxes	60,000	60,000	47,321	(12,679)
Consumption tax	-	-	16,671	16,671
Business license taxes	563,333	563,333	577,699	14,366
Tobacco tax	100,200	100,200	99,874	(326)
Motor vehicle licenses	45,500	45,500	60,592	15,092
Bank stock taxes	220,000	220,000	191,870	(28,130)
Hotel and motel room taxes	45,000	45,000	63,417	18,417
Restaurant food taxes	716,000	716,000	803,230	87,230
Total other local taxes	<u>\$ 1,990,033</u>	<u>\$ 1,990,033</u>	<u>\$ 2,116,511</u>	<u>\$ 126,478</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 880	\$ 880	\$ 865	\$ (15)
Permits and other licenses	-	-	1,985	1,985
Total permits, privilege fees, and regulatory licenses	<u>\$ 880</u>	<u>\$ 880</u>	<u>\$ 2,850</u>	<u>\$ 1,970</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 18,000	\$ 18,000	\$ 38,901	\$ 20,901
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 535	\$ 535
Revenue from use of property	400	400	400	-
Total revenue from use of money and property	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 935</u>	<u>\$ 535</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 90,500	\$ 90,500	\$ 87,888	\$ (2,612)
Miscellaneous:				
Miscellaneous	\$ 55,500	\$ 55,500	\$ 14,705	\$ (40,795)
Total revenue from local sources	<u>\$ 2,549,475</u>	<u>\$ 2,549,475</u>	<u>\$ 2,677,774</u>	<u>\$ 128,299</u>

Town of Tappahannock, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 60,000	\$ 60,000	\$ 53,756	\$ (6,244)
Auto rental tax	-	-	45,696	45,696
Rolling stock tax	-	-	102	102
Personal property tax relief funds	54,172	54,172	54,172	-
Total noncategorical aid	<u>\$ 114,172</u>	<u>\$ 114,172</u>	<u>\$ 153,726</u>	<u>\$ 39,554</u>
Categorical aid:				
Other categorical aid:				
DCJS grants for law enforcement	\$ 52,696	\$ 52,696	\$ 54,644	\$ 1,948
Fire programs	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 62,696</u>	<u>\$ 62,696</u>	<u>\$ 64,644</u>	<u>\$ 1,948</u>
Total categorical aid	<u>\$ 62,696</u>	<u>\$ 62,696</u>	<u>\$ 64,644</u>	<u>\$ 1,948</u>
Total revenue from the Commonwealth	<u>\$ 176,868</u>	<u>\$ 176,868</u>	<u>\$ 218,370</u>	<u>\$ 41,502</u>
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 3,360	\$ 3,360
Total General Fund	<u>\$ 2,726,343</u>	<u>\$ 2,726,343</u>	<u>\$ 2,899,504</u>	<u>\$ 173,161</u>
Special Revenue Fund:				
Drug Enforcement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2	\$ 2
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Total Drug Enforcement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 758	\$ 758
Total Revenues -- Primary Government	<u>\$ 2,726,343</u>	<u>\$ 2,726,343</u>	<u>\$ 2,900,264</u>	<u>\$ 173,921</u>

Town of Tappahannock, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 781,513	\$ 781,513	\$ 707,401	\$ 74,112
Public safety:				
Law enforcement and traffic control:				
Police	\$ 828,595	\$ 1,200,095	\$ 1,124,153	\$ 75,942
Fire and rescue services:				
Fire department	\$ 108,789	\$ 108,789	\$ 82,791	\$ 25,998
Ambulance and rescue services	10,000	10,000	5,093	4,907
Total fire and rescue services	\$ 118,789	\$ 118,789	\$ 87,884	\$ 30,905
Total public safety	\$ 947,384	\$ 1,318,884	\$ 1,212,037	\$ 106,847
Public works:				
Public works	\$ 903,903	\$ 903,903	\$ 721,655	\$ 182,248
Nondepartmental:				
Unclassified	\$ 70,390	\$ 70,390	\$ 63,074	\$ 7,316
Debt service:				
Principal retirement	\$ 187,309	\$ 187,309	\$ 208,137	\$ (20,828)
Interest and other fiscal charges	37,356	37,356	52,311	(14,955)
Total debt service	\$ 224,665	\$ 224,665	\$ 260,448	\$ (35,783)
Total General Fund	\$ 2,927,855	\$ 3,299,355	\$ 2,964,615	\$ 334,740
Special Revenue Fund:				
Drug Enforcement Fund:				
Public Safety:				
Law enforcement and traffic control:				
Police equipment and drug grant	\$ -	\$ -	\$ 1,212	\$ (1,212)
Total Public Safety	\$ -	\$ -	\$ 1,212	\$ (1,212)
Total Drug Enforcement Fund	\$ -	\$ -	\$ 1,212	\$ (1,212)
Total Expenditures -- Primary Government	\$ 2,927,855	\$ 3,299,355	\$ 2,965,827	\$ 333,528

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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Community Development	Interest on Long-Term Debt	Water and Sewer		Total
						Water	Sewer	
2010	\$ 662,962	\$ 810,481	\$ 675,408	\$ -	\$ 58,722	\$ 1,939,606	\$ 1,939,606	\$ 4,147,179
2011	627,381	788,683	694,486	-	61,148	1,712,613	1,712,613	3,884,311
2012	645,787	821,001	676,631	-	64,499	1,728,466	1,728,466	3,936,384
2013	659,513	792,050	627,637	-	87,347	1,778,948	1,778,948	3,945,495
2014	671,654	840,205	630,687	-	38,537	1,729,926	1,729,926	3,911,009
2015	649,693	886,019	728,566	-	30,957	1,680,746	1,680,746	3,975,981
2016	202,129	885,425	677,189	5,587	35,848	1,599,633	1,599,633	3,405,811
2017	694,424	929,503	759,408	-	36,748	1,614,024	1,614,024	4,034,107
2018	806,533	1,077,311	843,817	-	34,139	1,600,444	1,600,444	4,362,244
2019	584,429	995,823	747,816	-	56,917	1,511,670	1,511,670	3,896,655

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2010	\$ 993,962	\$ 1,416,160	\$ 381,865	\$ 1,704,403	\$ 3,470	\$ 12,492	\$ 82,547	\$ 4,594,899		
2011	1,167,762	257,999	389,754	1,583,624	8,294	45,214	146,044	3,598,691		
2012	1,109,857	296,849	385,756	1,668,254	3,525	23,950	151,613	3,639,804		
2013	1,317,991	241,104	421,231	1,931,662	5,202	61,438	152,506	4,131,134		
2014	1,358,784	263,421	392,453	1,989,336	1,298	33,635	151,049	4,189,976		
2015	1,332,238	252,157	415,256	2,056,220	1,225	136,853	149,152	4,343,101		
2016	1,395,141	275,131	401,916	2,177,374	1,220	30,336	162,892	4,444,010		
2017	1,348,333	253,932	425,066	2,198,610	1,378	19,337	165,442	4,412,098		
2018	1,358,346	244,860	411,625	2,058,009	1,007	25,443	157,077	4,256,367		
2019	1,327,951	275,951	422,979	2,116,511	2,023	14,705	153,726	4,313,846		

Town of Tappahannock, Virginia
General Governmental Expenditures by Function (1,2)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Debt Service	Non-departmental	Total
2010	\$ 598,122	\$ 788,472	\$ 691,943	\$ 182,239	\$ 55,103	2,315,879
2011	578,432	759,732	685,535	192,344	49,131	2,265,174
2012	773,894	786,673	642,725	188,420	51,125	2,442,837
2013	587,036	770,603	589,564	1,197,626	50,865	3,195,694
2014	607,297	873,146	758,177	232,935	57,749	2,529,304
2015	621,635	811,848	926,522	334,423	97,984	2,792,412
2016	646,375	878,193	671,461	223,579	59,099	2,478,707
2017	613,088	864,902	790,484	225,672	62,444	2,556,590
2018	723,493	940,990	695,895	239,048	65,538	2,664,964
2019	707,401	1,213,249	721,655	260,448	63,074	2,965,827

(1) Includes General and Special Revenue Fund of the Primary Government.

(2) Excludes Capital Projects Fund.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Inter-governmental	Total
2010	\$ 386,740	\$ 1,704,403	\$ 4,203	\$ 57,449	\$ 1,388	\$ 96,359	\$ 12,492	\$ 144,084	\$ 2,407,118
2011	386,276	1,583,624	2,647	34,657	1,126	87,462	24,789	222,441	2,343,022
2012	372,826	1,668,254	2,737	15,197	777	93,157	4,900	218,104	2,375,952
2013	435,325	1,931,662	3,106	17,072	4,341	87,076	12,088	217,106	2,707,776
2014	407,794	1,989,336	2,907	21,232	720	87,536	33,635	231,301	2,774,461
2015	398,395	2,056,220	2,086	15,366	698	85,619	210,850	215,654	2,984,888
2016	397,645	2,177,374	3,005	33,667	647	92,301	18,336	244,517	2,967,492
2017	427,039	2,198,610	2,255	21,281	726	90,357	19,337	233,338	2,992,943
2018	410,948	2,058,009	3,349	31,387	345	87,935	25,443	224,610	2,842,026
2019	415,984	2,116,511	2,850	38,901	937	87,888	14,705	221,730	2,899,506

(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 (1)		
2010	\$ 429,644	\$ 431,300	100.39%	\$ (303)	\$ 430,997	100.31%	\$ 41,730	9.71%	
2011	430,827	430,671	99.96%	2,978	433,649	100.66%	41,327	9.59%	
2012	431,430	422,866	98.01%	(2,027)	420,839	97.55%	51,798	12.01%	
2013	441,948	441,163	99.82%	15,814	456,977	103.40%	42,118	9.53%	
2014	445,037	439,111	98.67%	14,062	453,173	101.83%	34,210	7.69%	
2015	450,889	427,870	94.89%	18,449	446,319	98.99%	34,189	7.58%	
2016	454,455	431,797	95.01%	10,482	442,279	97.32%	43,193	9.50%	
2017	467,957	449,770	96.11%	19,370	469,140	100.25%	43,253	9.24%	
2018	457,317	448,211	98.01%	8,082	456,293	99.78%	50,511	11.05%	
2019	454,448	443,523	97.60%	15,684	459,207	101.05%	53,624	11.80%	

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

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

Town of Tappahannock, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Business Personal Property	Machinery and Tools	Mobile Homes	Public Utility (2)			Total
						Real Estate	Personal Property	Personal Property	
2010	\$ 297,988,348	\$ 13,237,908	\$ -	\$ 1,364,916	\$ 868,750	\$ 5,803,039	\$ 44,683	\$ 319,307,644	
2011	297,683,885	12,857,943	-	1,407,245	752,800	5,718,755	37,313	318,457,941	
2012	299,183,186	12,739,177	-	1,461,325	765,100	5,858,034	37,522	320,044,344	
2013	299,416,618	12,969,583	-	1,435,100	759,375	5,685,641	42,455	320,308,772	
2014	260,281,840	14,328,837	-	920,425	830,800	5,605,066	8,154	281,975,122	
2015	260,131,540	13,966,912	-	930,625	852,500	5,907,408	8,154	281,797,139	
2016	260,557,640	14,389,007	-	703,750	844,400	6,149,796	-	282,644,593	
2017	260,843,554	15,202,077	-	1,006,075	876,475	6,150,232	-	284,078,413	
2018	250,810,100	12,116,029	14,596,700	5,795,650	650,562	6,320,061	-	290,289,102	
2019	251,253,000	11,658,830	15,419,255	5,796,550	656,852	6,576,372	6,574	291,367,433	

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

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

Town of Tappahannock, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Business Personal Property	Machinery and Tools	Mobile Homes	Public Utility	
						Real Estate	Personal Property
2010	\$ 0.085	\$ 1.25	\$ -	\$ 1.00	\$ 0.085	\$ 0.085	\$ 1.25
2011	0.085	1.25	-	1.00	0.085	0.085	1.25
2012	0.085	1.25	-	1.00	0.085	0.085	1.25
2013	0.085	1.25	-	1.00	0.085	0.085	1.25
2014	0.10	1.25	-	1.00	0.10	0.10	1.25
2015	0.10	1.25	-	1.00	0.10	0.10	1.25
2016	0.10	1.25	-	1.00	0.10	0.10	1.25
2017	0.10	1.25	-	1.00	0.10	0.10	1.25
2018	0.10	1.25	0.25	0.20	0.10	0.10	1.25
2019	0.10	1.25	0.25	0.20	0.10	0.10	1.25

(1) Per \$100 of assessed value.

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
2010	2,375	\$ 319,307,644	\$ 12,597,611	\$ 12,597,611	3.95%	\$ 5,304
2011	2,375	318,457,941	12,173,174	12,173,174	3.82%	5,126
2012	2,375	320,044,344	11,517,923	11,517,923	3.60%	4,850
2013	2,375	320,308,772	10,896,622	10,896,622	3.40%	4,588
2014	2,375	281,975,122	10,223,880	10,223,880	3.63%	4,305
2015	2,375	281,797,139	9,526,136	9,526,136	3.38%	4,011
2016	2,375	282,644,593	8,823,394	8,823,394	3.12%	3,715
2017	2,375	284,078,413	7,810,652	7,810,652	2.75%	3,289
2018	2,375	290,289,102	7,097,910	7,097,910	2.45%	2,989
2019	2,375	291,367,433	6,736,667	6,736,667	2.31%	2,836

(1) United States Census Bureau, Census 2010

(2) From Table 6

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

Town of Tappahannock, Virginia
 Computation of Legal Debt Margin
 At June 30, 2019

Assessed value of real property, January 1, 2018 (1)	\$ 257,829,372
<hr/>	
Debt limit:	
10% of assessed value	\$ 25,782,937
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 7,009,970
Less: Revenue bonds and notes secured by property	(273,303)
Net general obligation bonds and loans	\$ 6,736,667
Legal debt limit	\$ 19,046,270

(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, 2019, and the related notes to the financial statements, which collectively comprise Town of Tappahannock, Virginia's basic financial statements and have issued our report thereon dated January 22, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tappahannock, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tappahannock, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Tappahannock, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 22, 2020

Town of Tappahannock, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Finding 2018-001:

Financial Reporting -

The Town corrected the prior audit finding of not reconciling the Town's internal documents to the financial statements.

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