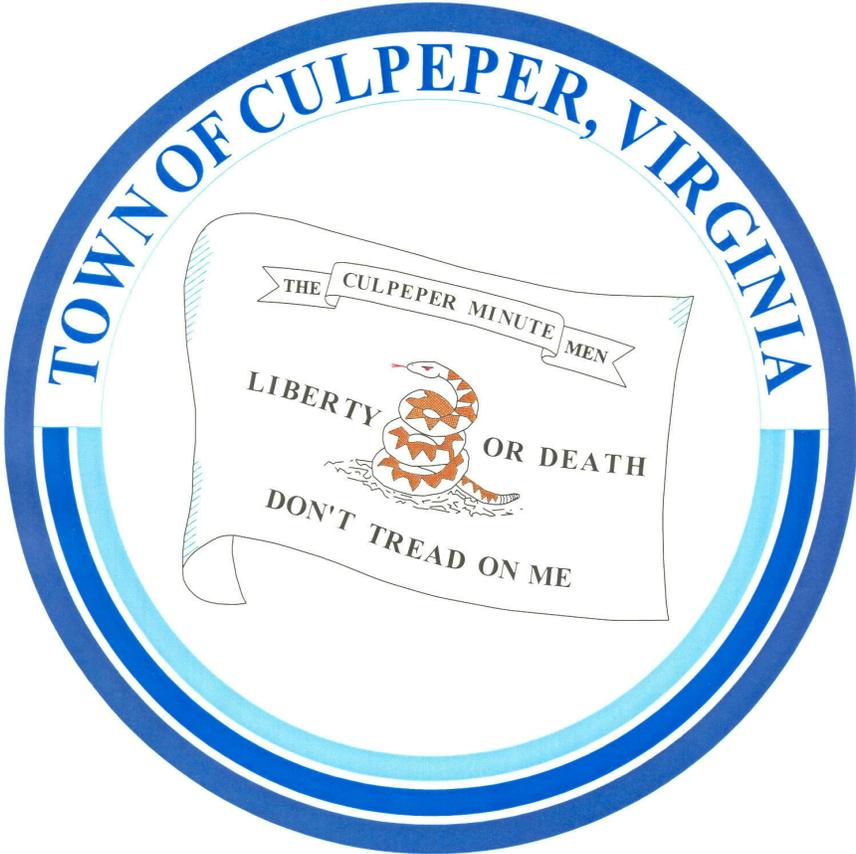


ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025



TOWN OF CULPEPER, VIRGINIA

TOWN OF CULPEPER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2025

PREPARED BY:

Department of Finance / Treasurer's Office
Howard A. Kartel, CPA, MGT, Director of Finance / Town Treasurer

TOWN OF CULPEPER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2025

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INTRODUCTORY SECTION



TOWN OF CULPEPER

FINANCE DIVISION/TREASURER'S OFFICE

400 S. Main St., Suite 109 • Culpeper, VA 22701
(540) 829-8220 • FAX (540) 829-8239
www.culpeperva.gov

November 18, 2025

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper ('Town') hereby submits the audited Annual Comprehensive Financial Report on its financial position and activities for the fiscal year ended June 30, 2025. This report was audited by the independent certified public accounting firm of PBMares, LLP, however the responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and reported in a manner that presents fairly the financial position and results of operations of the Town's various funds, and component units. All necessary disclosures have been included to enable the reader to gain an understanding of the financial activities of the Town.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The financial reporting entity includes all funds of the Town as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Industrial Development Authority of the Town of Culpeper Virginia is the only discretely presented component unit of the Town.

The Town provides a full range of services to its citizens including government administration; police protection; sanitation; the construction and maintenance of highways, streets, and infrastructure; general engineering; parks and recreation; and planning and community development. In addition, the Town contributes to County volunteer fire and rescue departments, local economic and tourism development programs, cultural events, and other civic and community service non-profit organizations. The Town also operates electric, water, and sewer utilities that provide services to over 9,000 customer accounts.

ECONOMIC CONDITION AND OUTLOOK

Population growth continues within the Town into 2025, as evidenced by the ongoing, multi-year trend of continued residential development. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase of approximately 30% through the year 2050 by the UVA Weldon Cooper Center for Public Service. This growth trend has changed the face of the Town to that of a regional marketing area and commuter-oriented town, with opportunities to support commercial and industrial growth. Culpeper is recognized regionally and statewide as a healthy and growing market, and has put in place economic development initiatives to promote prospective commercial development through the existence of technology zones with both the Town and County. The County unemployment rate for Culpeper in June 2025 was 3.4% (rising slightly from 3.0% the prior year), which was comparable to the Virginia Statewide rate (3.5%) and below the national rate (4.1%) as of June 2025.

Despite the economic impact of inflationary conditions on the national economy in recent years, Town financial results have been strong. Operating and capital budgets were adopted with the intent to maintain financial stability coming out of the pandemic. As revenue trends returned to pre-pandemic levels, staff was re-hired to reverse pandemic reduction-in-force changes, and budgets were increased to provide services at normal levels. The Town was awarded Federal ARPA Coronavirus State and Local Fiscal Recovery Funds of \$19,581,052, which have been fully allocated and spent as of September 2024, to offset Town expenditures related to combatting the negative economic impacts of the pandemic. Local tax revenues have remained strong throughout this period, meeting and in some cases exceeding budget forecasts for fiscal year 2025. Property tax assessments saw significant increases in recent years due to the strong real estate market and increased vehicle market values, even in the face of higher interest rates and inflation, and Town Council responded to the increasing vehicle assessments by reducing the tax rate on vehicles for the 2022 and subsequent tax years. Offsetting these positive trends are inflationary increases to materials, fuel and chemicals used in Town operations across all Funds, and increasing payroll costs as the Town looks to stay competitive for hiring in the current labor market. Further, the Town is placing orders for purchasing certain items, such as utility equipment and police vehicles, with longer lead times, and maintaining higher on-hand quantities of other materials so as to combat supply-chain delays in the purchasing and delivery of orders of critical items.

Given these conditions, the overall outlook for the Town is strong. The Town maintains a strong tourism presence which will be further enhanced by the recent creation of a State battlefield park in Culpeper County, and is able to rely on related taxes (i.e., lodging and meals) as sources of revenues to further support the General Fund budget. The Town is working to address the demands from a growing population, including improvements to capital infrastructure, utilities and quality of life services, such as public safety, transportation and recreational facilities. Recent initial development activity in the technology zone looks promising for construction of two data center campuses anticipated to begin in calendar year 2026, bringing jobs and tax revenues in the years ahead.

MAJOR INITIATIVES IN FY25

FY25 brought a continued focus on improvements to Town infrastructure and operations, and planning for the future of our growing community. Funding for projects through annual budgets and grants, ARPA funds and Strategic Reserve funds has enabled the following to either begin or continue during this past fiscal year:

- *VDOT SMARTScale Projects* – The Town was previously awarded four SMARTScale projects for significant road and sidewalk improvement projects, and also awarded a new project in the current year, all to be completed over the next ten years with a projected total value of approximately \$56.8 million which are fully administered and paid for by VDOT. Construction work has begun on the first project to build a round-about at the busy commercial corridor and intersection of Route 3 and McDevitt Drive.

- *Water Pollution Control Facility Upgrade* – In FY23 a construction contract was awarded to install aerobic digestion and a new centrifuge at the Water Pollution Control Facility. Total project costs, including design and construction management services, are approximately \$8.4 million. This project is ongoing and anticipated to be completed in December 2025. The Town has allocated \$6.3 million of ARPA funds to this project.
- *Joint Town and County Community Pool* – In FY23 the Town executed a contract with Culpeper County and committed up to \$5 million from the Strategic Reserves toward the design and construction of a community pool at the County Sports Complex. A construction contract was awarded by the County in June 2024, and the County anticipates the pool to be operational for the start of the 2026 summer season.
- *Downtown Development* – The Town has completed a multi-year project to enhance the downtown area near the train depot, with infrastructure improvements, a new parking area and a pedestrian bridge over the railroad tracks completed during FY25. The next phases include roadway improvements for enhanced vehicle access, and added recreation space for citizens and visitors. The project has a total cost of approximately \$5 million, and is wholly self-funded by the Town using fund balance and Strategic Reserves previously designated for initiatives such as this.
- *Reuse Water System* – In FY25 the Town initiated the design of a wastewater effluent reuse project in cooperation with a data center developer for parcels within town limits. This project will divert treated wastewater effluent for evaporative cooling, reducing the power load of the data center campus and thereby reducing the wastewater discharge from the town Water Pollution Control Facility. Design will be completed and construction vendor procurement started in FY26. The project will be 100% developer-funded, and synchronized with the developer’s construction timeline for completion.

TOWN AWARDS AND ACHIEVEMENTS

- *Certificate of Achievement for Excellence in Financial Reporting* - The Government Finance Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Town of Culpeper for the twenty-first consecutive year for its Annual Comprehensive Financial Report for the fiscal year ended, June 30, 2024. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized annual comprehensive financial report, where the contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.
- *Directors Award* – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water Director’s Award for 2024. This award recognizes the Town’s continual commitment in protecting public health and providing high quality water services. The Partnership for Safe Water is an unprecedented alliance of six prestigious drinking water organizations which include: AWWA – American Water Works Association, AMWA – Association of Metropolitan Water Agencies, ASDWA – Association of State Drinking Water Administrators, NAWC – National Association of Water Companies, USEPA – U.S. Environmental Protection Agency, and WRF - Water Research Foundation. The Partnership's mission is to improve the quality of water delivered to customers by optimizing water system operations.

- *Commission on Accreditation of Law Enforcement Agencies* – The Culpeper Police Department maintains a standard of excellence and accountability by its participation and following established law enforcement best practices set forth by the Commission on Accreditation of Law Enforcement Agencies (CALEA). The Police Department successfully completed the current year on-site assessment and four-year review cycle, with CALEA voting unanimously for Culpeper’s status of Advanced Re-Accreditation with Meritorious Achievement in 2025.
- *Virginia Association of Destination Marketing Organizations Award* – the Tourism Department received a Virgo Award for ‘Best Comprehensive Advertising Campaign’ at their annual conference in April 2025. This award is given to a destination that has created a comprehensive advertising campaign that is an all-encompassing plan, and involves a meticulous integration of various elements such as digital marketing, traditional marketing, content marketing, social media marketing, and influencer marketing. This award was received for the newly launched Culpeper VA250 brand and program, which is a multiyear effort to commemorate Culpeper, Virginia’s role and stories as they relate to the 250th anniversary of America.

LONG –TERM FINANCIAL PLANNING

Capital Improvements Plan

The Town updates its Capital Improvements Plan (CIP) on an annual basis, which is approved by the Planning Commission and Town Council. The CIP is developed with the intention to preserve, maintain and improve the Town’s stock of public facilities, such as roads, bridges, parks and utilities. The CIP provides a mechanism for estimating future capital requirements, planning and scheduling projects, developing revenue policy for proposed future improvements, budgeting high-priority projects, and informing the public of anticipated capital improvements. While the CIP provides the basis for the next fiscal year capital budget, it also serves as the framework for capital spending over the subsequent five-year period.

Enterprise Fund Planning

Additionally, the Town maintains a model for enterprise fund finances projecting fifteen years into the future. This model includes anticipated future capital needs for growth and replacement of existing facilities, as well as projected operating revenues and normal operating costs, debt service and cash flows.

Bond Credit Rating

The Town continues to maintain a credit rating of Aa2 from Moody’s as well as an AA credit rating from Standards & Poor’s.

Strategic Reserves

The Town Strategic Reserves Policy ensures continued budget stability beyond the existing standard operating reserves, and establishes a funding source for future significant long-term capital projects without having to rely solely on debt financing. Through June 30, 2025, Town Council has designated approximately \$12 million to Strategic Reserves as assigned fund balance under the policy, with a total of \$9.9 million allocated to date for land purchases, design and construction costs related to the downtown development and parking project and for the Joint Town and County Community Pool.

ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS

The Town Finance Division/Treasurer’s Office maintains the Town financial policies and operations, and provides support to Town departments and Town staff in all aspects of Finance. The staff is committed to achieving a high standard of service while managing the Town’s finances in accordance with established accounting standards, and Town Code and policies.

Staffing

The Director of Finance/Town Treasurer reports directly to the Town Manager. The Finance Division and Treasurer's Office handles tax billing and collections, utility billing and collections, payroll, accounts payable, investments, debt administration, and financial analysis and reporting.

Internal Controls

Internal controls are a critical component of the Finance Division/Treasurer's Office, and all segments of operations Town-wide are continually under review. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that: (a) the cost of controls should not exceed the benefits likely to be derived, and (b) the evaluation of costs and benefits requires estimates and judgments by management. Necessary improvements are implemented to maintain our fiduciary responsibility as stewards of the Town's assets, while also streamlining processes so we can provide a responsive level of service to the Town citizens and employees.

Budgetary Controls

The Town prepares an annual budget for operating expenditures, and as previously referenced, a capital budget based on the CIP. The annual budget is prepared by management and then reviewed and approved by Town Council before the start of each fiscal year. The Town reviews and controls spending both at the organization level and the department level. All spending is subject to Town Manager and Director of Finance/Town Treasurer approval at designated thresholds, and expenditures are reported monthly to Town Council for their review and approval. Further, Town Directors are responsible for budget control within their areas of responsibility. Controlling expenditures at multiple levels strengthens overall budgetary and spending controls.

OTHER INFORMATION

Independent Audit

Virginia law requires that the financial statements of the Town be audited by a Certified Public Accountant (or alternatively, by the Auditor of Public Accounts) selected by Town Council. An annual audit of the Annual Comprehensive Financial Report has been performed by PBMares, LLP. Their audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The auditor's report, which includes their opinion on the financial statements of various funds and account groups of the Town is contained in this report on page one of the Financial Section. Other auditor's reports are included in the Compliance Section.

Acknowledgments

The preparation of the Annual Comprehensive Financial Report is partly outsourced, with contributions provided by the dedicated service of the Finance Division/Treasurer's Office staff. I extend my sincere appreciation for the efforts of staff towards the preparation of this report. I also wish to thank the Town Council, Town Manager, and Town-wide department heads and staff for their support and continued interest towards creating a strong financial framework for the Town and its citizens. This report is available to the public via the Town's website located at www.culpeperva.gov.

Respectfully submitted,



Howard A. Kartel, CPA, MGT
Director of Finance / Town Treasurer

TOWN OF CULPEPER, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2025**

TOWN COUNCIL

Frank Reaves, Jr., Mayor
William M. Yowell, Vice-Mayor

B. Travis Brown
Jamie Dyke
Michael T. Olinger
Pranas A. Rimeikis

Jon D. Russell
Janie Schmidt
Joe Short

APPOINTED OFFICIALS

TOWN MANAGER
Christopher D. Hively

TOWN CLERK
Ashley R. Clatterbuck

TOWN ATTORNEY
Martin R. Crim

DEPARTMENT HEADS

DIRECTOR OF PUBLIC SERVICES
Jim Hoy

**DIRECTOR OF FINANCE /
TOWN TREASURER**
Howard Kartel

DIRECTOR OF LIGHT & POWER
Michael Stover

DIRECTOR OF HUMAN RESOURCES
Mary Jones

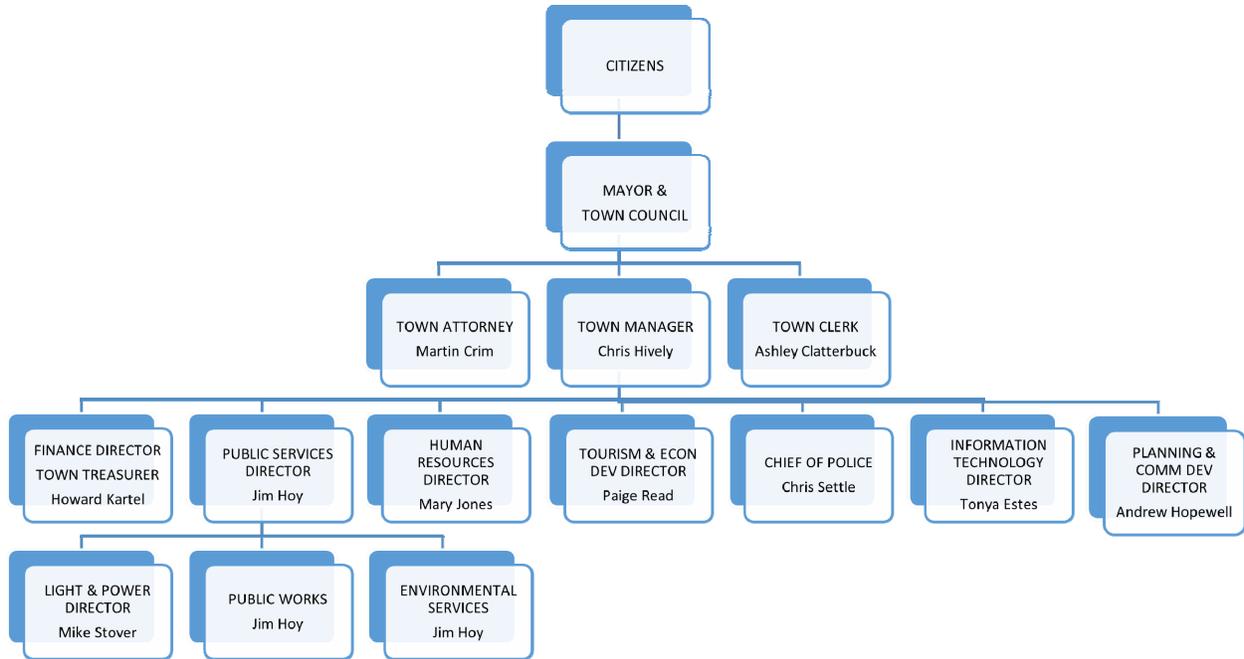
**DIRECTOR OF PLANNING AND
COMMUNITY DEVELOPMENT**
Andrew Hopewell

**DIRECTOR OF INFORMATION
TECHNOLOGY**
Tonya Estes

CHIEF OF POLICE
Chris Settle

**DIRECTOR OF TOURISM AND
ECONOMIC DEVELOPMENT**
Paige Read

TOWN OF CULPEPER, VIRGINIA
ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Culpeper
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison of the General Fund of the Town of Culpeper, Virginia (Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 19 to the financial statements, in fiscal year 2025, the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, *Government Auditing Standards* and *Specifications for Audits of Counties, Cities and Towns*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 5-17 and 72-80, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2025 on our consideration of the Town'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 the Town'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's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 18, 2025

Town of Culpeper, Virginia Management's Discussion and Analysis

As management of the Town of Culpeper, Virginia (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. Please read it in conjunction with the letter of transmittal at the front of this report and with the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for all funds at the close of the fiscal year ended June 30, 2025 by \$168,554,522 (net position), an increase of \$4,904,095 or 3.0%, from the prior year balance, before restatement for the adoption of GASB 101. Of the current year amount, \$52,184,615 is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.
- At the end of the fiscal year ended June 30, 2025, the Town's governmental funds reported an ending fund balance of \$31,986,446, a decrease of \$(1,567,355), or (4.7)%, from the prior year. This amount is available for spending at the government's discretion, other than \$2,455,917, which is classified as non-spendable or restricted. During fiscal year 2025, the Town increased its Strategic Reserves (committed and assigned fund balance) for future budget stabilization and capital project purposes by a net amount of \$1,433,804 to approximately \$7.0 million.
- The Town was awarded \$19,581,052 of Federal ARPA SLFRF funding to be used to respond to the negative economic impact of the COVID-19 pandemic. As of June 30, 2025, all ARPA funds, including approximately \$704,000 during FY 2025, have been allocated to fund capital improvements at the wastewater treatment plant (WPCF), staff premium pay, rehiring of staff and revenue replacement expenditures.
- Local single-family and multi-family residential construction is very strong, as evidenced by water, sewer and electric funds combined revenues of \$5,515,000 for tap fees and service connection charges during the fiscal year ended June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also contains required supplementary information, other supplementary information and supplemental schedules 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference between the four 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 declining.

The Statement of Activities presents information indicating 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 this 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, public safety, street maintenance, sanitation, building and grounds maintenance, recreation and cultural, and community development. The business-type activities of the Town are the water, wastewater and electric funds.

The government-wide financial statements include not only the Town of Culpeper, Virginia itself (known as the primary government), but also a legally separate Industrial Development Authority for which the Town is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

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, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of 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 reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund, the Cemetery Perpetual Care Fund and Cemetery Permanent Fund, which are considered non-major funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget (see Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund in the accompanying financial statements).

Proprietary funds – The Town maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, wastewater, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, and electric operations.

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

Other information - In addition to the basic financial statements and accompanying notes to financial statements, this report also presents certain supplementary information for budgetary comparison schedules, and required supplementary information concerning the Town's funding progress for the defined benefit pension plan and other post-employment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a Town's financial position at any given point in time, and comparatively from year to year. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$168,554,522 at the close of the most recent fiscal year. The following table summarizes the Town's Statements of Net Position:

Summary Statements of Net Position June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 35,494,934	\$ 37,272,156	\$ 34,171,613	\$ 30,425,290	\$ 69,666,547	\$ 67,697,446
Capital assets, net	61,098,064	60,110,514	77,401,899	77,204,331	138,499,963	137,314,845
Total assets	96,592,998	97,382,670	111,573,512	107,629,621	208,166,510	205,012,291
Deferred outflows of resources	3,238,890	2,401,790	1,740,934	1,408,735	4,979,824	3,810,525
Total assets and deferred outflows of resources	99,831,888	99,784,460	113,314,446	109,038,356	213,146,334	208,822,816
Current liabilities	2,620,202	2,587,618	3,949,118	3,256,555	6,569,320	5,844,173
Noncurrent liabilities	14,062,501	13,116,011	21,168,105	22,003,402	35,230,606	35,119,413
Total liabilities	16,682,703	15,703,629	25,117,223	25,259,957	41,799,926	40,963,586
Deferred inflows of resources	2,167,297	2,201,037	624,589	605,530	2,791,886	2,806,567
Total liabilities and deferred inflows of resources	18,850,000	17,904,666	25,741,812	25,865,487	44,591,812	43,770,153
Net position:						
Net investment in capital assets	54,826,014	53,215,487	59,411,526	57,682,479	114,237,540	110,897,966
Restricted	2,132,367	1,953,660	-	-	2,132,367	1,953,660
Unrestricted	24,023,507	26,710,647	28,161,108	25,490,390	52,184,615	52,201,037
Total net position	\$ 80,981,888	\$ 81,879,794	\$ 87,572,634	\$ 83,172,869	\$ 168,554,522	\$ 165,052,663

At the end of the current fiscal year, the Town continues to report positive balances in all categories of net position. A discussion of fiscal year 2025 activities and results are on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$114,237,540 (67.8%) reflects net investment in capital assets, which are used to provide services to its citizens, and, consequently, these assets are not available for future spending for other purposes. Of the remaining components of net position, \$52,184,615 (31.0%) reflects unrestricted net position, which may be used towards the Town's ongoing obligations to its citizens and towards debt service obligations to its creditors. Restricted net position, \$2,132,367 (1.2%), are amounts legally reserved for specific purposes, such as cemetery permanent and perpetual care funds, special tax district funds, and unspent police asset seizure funds.

The Town implemented GASB 101, Compensated Absences during fiscal year 2025. As a result, a restatement of previously reported Net Position as of June 30, 2024 was required, with a reduction of \$1,023,827 and \$378,409 for governmental activities and business-type activities, respectively. See Note 19 in the accompanying notes to financial statements for additional information regarding the implementation of this new GASB standard.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by \$4,904,095 during the current fiscal year, before restatement of beginning net position for the adoption of GASB 101. This increase is largely due to stronger than expected investment income across all funds and tap fee revenues for the water and sewer enterprise funds. The following table summarizes the Town's Statements of Changes in Net Position:

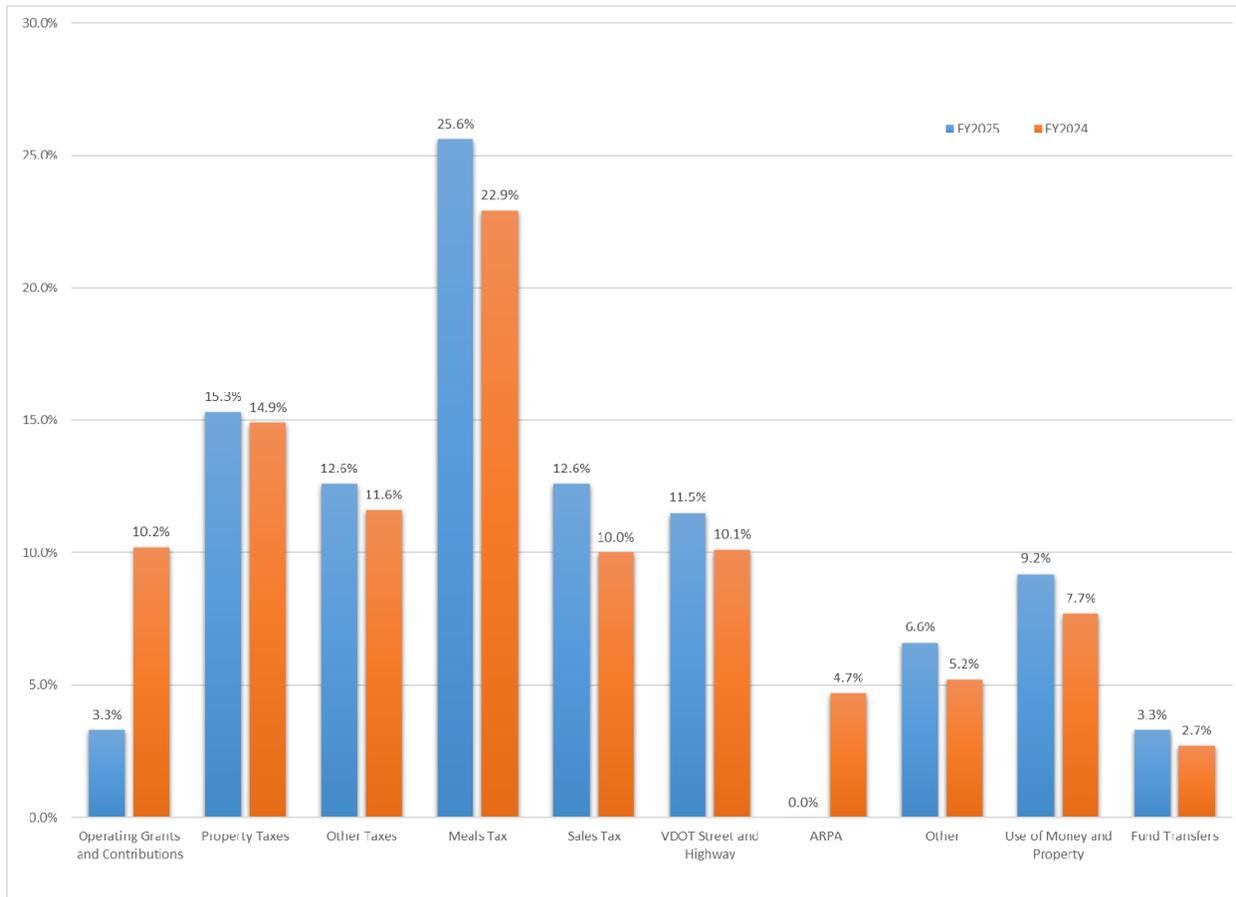
Summary Statements of Changes in Net Position Years Ended June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 865,263	\$ 818,510	\$ 26,589,240	\$ 25,677,554	\$ 27,454,503	\$ 26,496,064
Operating grants and contributions	3,593,496	6,590,635	4,924,589	2,986,349	8,518,085	9,576,984
Capital grants and contributions	-	-	707,033	4,759,781	707,033	4,759,781
General revenues:						
Property taxes	3,712,526	3,932,229	-	-	3,712,526	3,932,229
Other local taxes	12,335,604	11,791,648	-	-	12,335,604	11,791,648
Intergovernmental revenue	229,498	229,563	-	-	229,498	229,563
Use of money and property	2,231,322	2,034,284	1,476,335	1,230,566	3,707,657	3,264,850
Other	537,491	340,291	-	-	537,491	340,291
Total revenues	23,505,200	25,737,160	33,697,197	34,654,250	57,202,397	60,391,410
Expenses:						
General government administration	2,314,306	2,090,647	-	-	2,314,306	2,090,647
Public safety	8,925,642	8,032,407	-	-	8,925,642	8,032,407
Public works	7,649,709	6,599,448	-	-	7,649,709	6,599,448
Parks, recreation and cultural	2,245,343	956,199	-	-	2,245,343	956,199
Community development	2,814,937	2,467,671	-	-	2,814,937	2,467,671
Parking Authority	133,349	20,640	-	-	133,349	20,640
Interest on long-term debt	101,470	142,570	-	-	101,470	142,570
Water	-	-	5,725,574	6,009,378	5,725,574	6,009,378
Wastewater	-	-	6,958,277	6,339,488	6,958,277	6,339,488
Electric	-	-	15,429,695	15,297,165	15,429,695	15,297,165
Total expenses	24,184,756	20,309,582	28,113,546	27,646,031	52,298,302	47,955,613
Excess (deficit) before transfers	(679,556)	5,427,578	5,583,651	7,008,219	4,904,095	12,435,797
Transfers	805,477	710,611	(805,477)	(710,611)	-	-
Change in net position	125,921	6,138,189	4,778,174	6,297,608	4,904,095	12,435,797
Net Position, beginning, as previously reported	81,879,794	75,741,605	83,172,869	76,875,261	165,052,663	152,616,866
Restatement for the adoption of GASB 101	(1,023,827)	-	(378,409)	-	(1,402,236)	-
Net Position, as restated	80,855,967	75,741,605	82,794,460	76,875,261	163,650,427	152,616,866
Net Position, ending	\$ 80,981,888	\$ 81,879,794	\$ 87,572,634	\$ 83,172,869	\$ 168,554,522	\$ 165,052,663

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

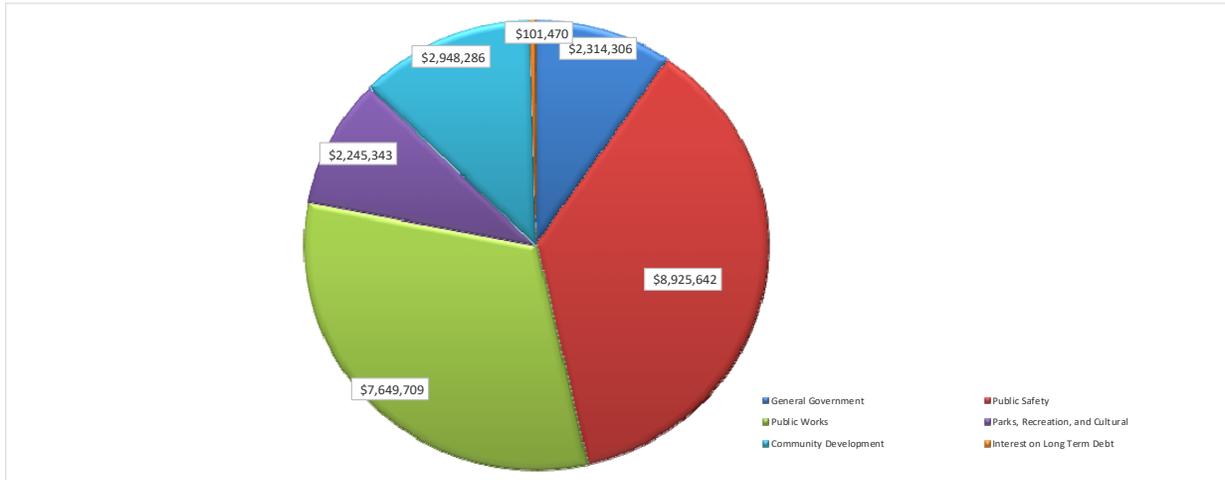
Governmental Activities – Program revenues, tax revenues, and transfers for governmental activities and other revenues totaled \$24,310,677 for fiscal year 2025, a decrease of \$2,137,094 (or 8.1%) from the previous year. This change is primarily related to Federal funding for a transportation project that was completed in the prior year and the final recognition of ARPA funds in the prior year totaling \$2,875,525. These amounts were offset by nominal increases in various revenues in the current fiscal year, such as local sales tax and meals tax driven by inflation and continued population growth in the local area totaling approximately \$568,000. Major revenue sources in fiscal year 2025 include meals tax \$6,224,312 (25.6%), property taxes \$3,712,526 (15.3%), recovered costs from enterprise funds and intergovernmental \$3,918,195 (16.1%), local sales and use taxes \$3,059,465 (12.6%), other local taxes \$3,051,827 (12.6%), and VDOT street and highway maintenance reimbursement \$2,783,638 (11.5%).

Revenues by Source – Governmental Activities, year ended June 30, 2025 and 2024



Governmental activity expenses are broken down in a format that focuses on the cost of providing services by function of the government (general government, public works, public safety, etc.). The total expenses for fiscal year 2025 were \$24,184,756, an increase of \$3,875,174 (or 19.1%) higher than the prior fiscal year. The primary factors for the increase relate to an overall 7% merit pool increase for personnel salaries and related benefits; continued payments made to Culpeper County towards the joint pool project of \$1,467,364 (approximately \$1.3 million higher than the prior year); street paving costs approximately \$650,000 higher than the prior year due to scheduling backlog with contractors from the prior year; public works purchases of heavy equipment vehicles totaling \$529,000; public safety acquisition of a new 5-year SBITA agreement during the current year of \$686,000; and nominal fluctuations in spending across various departmental budget lines. The governmental activities overall net position increased by \$125,921 during the current fiscal year, after the restatement of net position for the adoption of GASB 101.

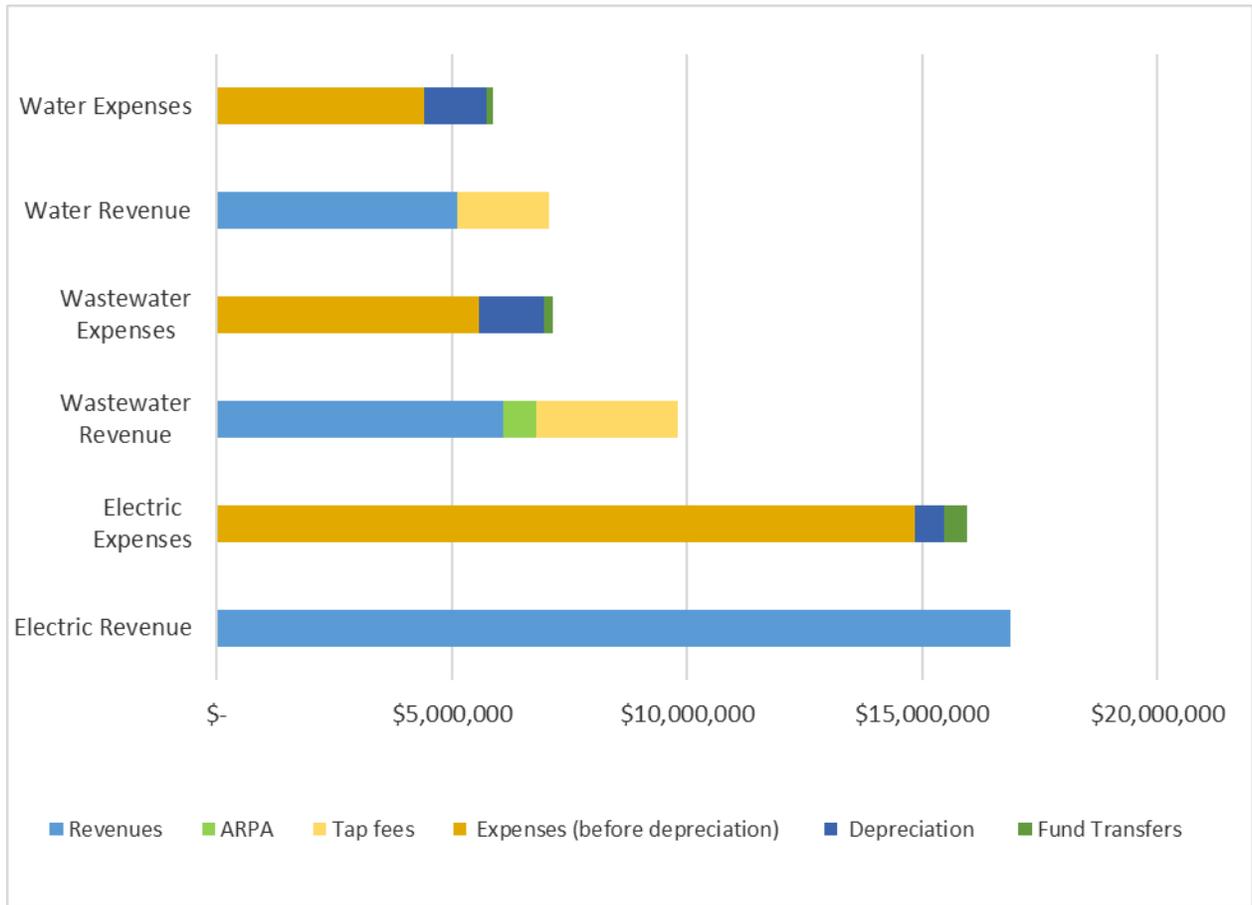
Expenses – Governmental Activities, Year ended June 30, 2025



Business-type Activities – The Water, Wastewater, and Electric funds concluded fiscal year 2025 with total revenues of \$33,697,197 for a combined increase in net position of \$4,778,174 prior to restatement of prior year net position for the adoption of GASB 101, as compared to a \$6,297,608 increase in net position for the prior year. Overall revenues decreased by \$957,053, primarily due to lower ARPA funds realized of approximately \$4.1 million as construction of the WPCF improvement project neared completion early during this fiscal year; offset by increased water and sewer tap fees of approximately \$2.2 million related to increased residential development within the town; and approximately \$912,000 of increased water, sewer and electric fund operating revenues from higher adopted rates, higher customer consumption as well as increased service connection charges related to increased residential development within the town electric service area.

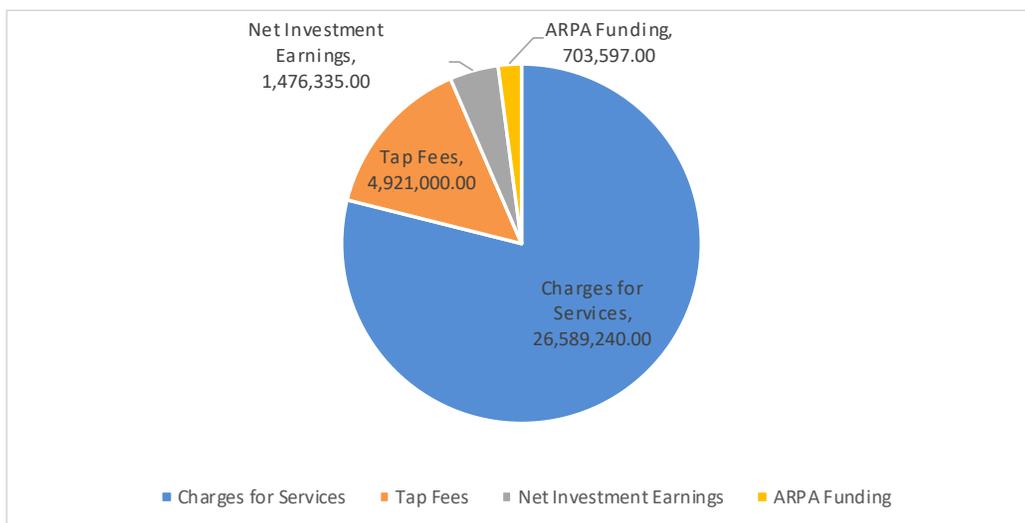
Operating expenses and depreciation in fiscal year 2025 totaled \$27,685,816, or a \$545,828 increase over the prior year. The primary factors for the increase relate to an overall 7% merit pool increase for personnel salaries and related benefits across all funds, and increases in electric system improvement costs related to new development, offset by lower electric fund purchased power costs due to lower fuel surcharge rates applied to customer utility consumption, while all other utility fund expenses experienced nominal budgetary fluctuations as compared to the prior year. The utility funds implemented Council adopted rate increases for the year of 5% for water, 3% for sewer and 2% for electric. The utility funds also made fund transfers to the General Fund as payments in lieu of taxes (PILOT) of \$805,477, an increase of \$94,866 from the prior year.

Program Revenues and Expenses – Business-Type Activities, Year Ended June 30, 2025



Note – Wastewater Fund ARPA revenues included above in the amount of \$703,597 are related to capital project spending.

Revenues by Source – Business-Type Activities, Year ended June 30, 2025



Note: Other revenues sources of \$7,025 not reflected in this chart for presentation purposes.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental funds - The focus of the Town's governmental fund reporting 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 the Town's net resources available for spending at the end of the fiscal year.

At June 30, 2025, the Town's governmental funds reported an ending fund balance of \$31,986,446, a decrease of \$1,567,355 in comparison with the end of the prior year. Of this amount, 52.1%, or \$16,657,243 constitutes unassigned fund balance, which is available for spending at the Town's discretion. During fiscal year 2025, Town Council designated an additional amount of \$776,000 to Budget Stabilization Reserves as assigned fund balance, increasing the total to \$4,906,000 or 15.3% of total fund balance. Budget Stabilization Reserves are calculated annually in accordance with the Strategic Reserves policy as a percentage of certain local taxes budgeted (sales, meals, lodging) to be able to withstand an economic downturn and reduced local tax revenues. Town Council also designated an additional amount of \$657,804 to the Major Capital Improvement Fund (MCIF) which is classified as committed fund balance, for a balance of \$2,086,908 at year end, or 6.5% of total fund balance. The MCIF funds are intended to support future capital project initiatives, and may also be used in accordance with the Strategic Reserves policy only to restore minimum operating reserves or, with the approval of Council, can be used for other purposes. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been designated for other uses.

As a measure of the governmental fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance at June 30, 2025 represents 54.1% and 103.8% of total fiscal year 2025 governmental fund expenditures, respectively.

The Town's General Fund balance decreased by \$1,709,620 in fiscal year 2025, primarily due to an adopted budget deficit of approximately \$960,000 as well as capital project and other costs carried over from the prior year that were completed in the current year. These were offset by higher revenues from local taxes (primarily sales tax as a result of inflationary increases and population growth) and investment income (primarily from higher for longer interest rates and unrealized investment gains on the portfolio as lower yielding investments matured and were re-invested at higher rates). The Town's Cemetery Perpetual Care and Permanent Funds saw a combined increase in fund balance of \$142,265 as a result of cemetery lot sales and investment income during fiscal year 2025.

Proprietary Funds - The focus of the Town's proprietary fund reporting is to provide detailed information to demonstrate that fees charged for services are sufficient to cover the expenses to provide those services.

Unrestricted net position of the Water Fund at June 30, 2025 was \$8,575,580; the Wastewater Fund equaled \$9,797,097; and the Electric Fund amounted to \$9,788,431. The total combined increase in net position for the year ended June 30, 2025 was \$4,778,174, before restatement for the implementation of GASB 101 of (\$378,409). Operating revenues, net investment income, and tap fees were up over the prior year as discussed earlier in this MD&A narrative; offset by decreases in ARPA funds realized, and increased personnel and benefits expenses. For the year, the Water, Wastewater and Electric funds had an overall increase in net position of \$1,182,298, \$2,657,520 and \$938,356, respectively, before restatement for the implementation of GASB 101.

BUDGETARY HIGHLIGHTS

Differences between the adopted fiscal year 2025 spending budget and the amended budget was a total increase of approximately \$15.6 million. Highlights of amendments, of which approximately \$14.4 million relates to amounts carried forward to fiscal year 2025 from fiscal year 2024, are as follows:

- \$4.8 million carryforward for the Town's contribution to the design and construction for the Joint Town and County Pool, scheduled to be completed in the spring of 2026;
- \$3.1 million carryforward for the downtown development projects previously approved by Town Council, primarily construction and related project costs for the pedestrian bridge over the railroad, as well as a parking lot and local road improvements. The pedestrian bridge and parking lot were substantially completed as of June 30, 2025;
- \$2.2 million carryforward for the ongoing WPCF improvement project scheduled to be completed in December 2025;
- \$2.0 million carryforward for various department operating expenditures relating to projects not completed or purchases encumbered but not delivered before the end of the prior fiscal year, including street paving, a utility bucket truck and a sanitation truck;
- \$1.1 million carryforward for a Water Fund Capital project to design and connect new groundwater wells to the Town water system for the purpose of additional water system capacity in the event of prolonged drought conditions;
- \$750,000 increase for electric fund projects for system improvements related to ongoing residential and commercial development; and
- \$380,000 increase for an incident command vehicle, which is fully funded through a Federal grant program.

Differences between the General Fund amended expenditure budget and actual results amounted to spending less than budget by approximately \$5.5 million. Highlights are:

- The Town's share of design and construction costs for the Joint Town and County Pool was budgeted at \$4.8 million, with \$1,467,364 expended during the current year, and the balance carried forward to fiscal year 2026.
- Various General Fund capital projects budgeted were not completed during fiscal year 2025, creating a positive budget variance of approximately \$1.1 million, which was carried forward to fiscal year 2026.
- There were positive budget variances of approximately \$1.8 million across all General Fund operating departments, due primarily to ongoing projects and open encumbrances not delivered prior to the end of the fiscal year, as well as town-wide departmental budget underruns. This was offset by approximately \$500,000 budget overrun in the public safety budget due to the recording of multi-year SBITA obligations recorded under GASB 96 not included within the current fiscal year budget. In total, approximately \$1.3 million represented unfinished projects and were carried forward to fiscal year 2026.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets - The Town's capital assets for its governmental and business-type activities as of June 30, 2025 amounted to \$138.5 million (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, leases recorded under GASB 87, subscriptions recorded under GASB 96 and infrastructure. The total net increase in the investment in capital assets for the current year was approximately \$1.2 million or 0.9%, as current year additions exceeded disposals, depreciation and amortization for the year. The overall increase is comprised of \$8.5 million in additions, offset by a net of \$305,000 in disposals and \$6.9 million in depreciation and amortization.

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and non-depreciable	\$ 8,923,701	\$ 8,250,559	\$ 1,755,835	\$ 1,755,835	\$ 10,679,536	\$ 10,006,394
Buildings and improvements	31,888,016	30,033,472	107,380,593	107,120,986	139,268,609	137,154,458
Software, machinery and equipment	13,411,092	12,551,941	15,402,749	14,497,941	28,813,841	27,049,882
Infrastructure	68,792,600	65,725,132	30,528,187	30,293,919	99,320,787	96,019,051
Intangible right-to-use lease equipment	167,930	464,757	-	-	167,930	464,757
Intangible right-to-use subscription assets	1,150,999	297,261	-	-	1,150,999	297,261
Construction in progress	81,458	3,208,046	8,307,146	6,309,249	8,388,604	9,517,295
Less accumulated depreciation	(63,317,732)	(60,420,654)	(85,972,611)	(82,773,599)	(149,290,343)	(143,194,253)
Capital assets, net	\$ 61,098,064	\$ 60,110,514	\$ 77,401,899	\$ 77,204,331	\$ 138,499,963	\$ 137,314,845

Major capital asset events during the current fiscal year included the following:

- The Town has engaged in a multi-year project to develop the area near the train depot in the historic downtown district to bring enhanced parking, street access, a pedestrian bridge over the train tracks and recreation opportunities to the downtown area. Construction and other project costs incurred during the current year of approximately \$2.1 million were incurred during the current fiscal year and the project was deemed substantially completed as of June 30, 2025. Construction of the recreation amenities are ongoing and scheduled to be completed in fiscal year 2026.
- A multi-year project for upgrades to the Water Pollution Control Facility digesters and other facilities was initiated in fiscal year 2022, allocating \$6.3 million of ARPA funds received by the Town towards the overall project budget of approximately \$8.4 million. Construction and other project costs incurred during the current year amounted to approximately \$1.7 million. The project is scheduled to be completed in December 2025.
- Public Works purchased replacement vehicles (front loader, sanitation truck) and equipment used in operations for a total cost of \$690,000 in the current year.
- Town Light and Power completed system improvements, including a generator rebuild project, for a total cost of \$642,000 in the current year.
- Public Works completed road and sidewalk improvements for a total cost of \$543,000 in the current year.
- Town PD purchased five new or replacement fleet vehicles at a total cost of \$292,000 in the current year.

Additional information on the Town’s capital assets can be found in Note 6 of the accompanying financial statements.

Long-Term Debt - At the end of the fiscal year ended June 30, 2025, the Town had total debt outstanding of \$23,799,309. This amount is comprised of general obligation (GO) debt backed by the full faith and credit of the Town government, and outstanding lease liabilities and subscription liabilities recorded under GASB 87 and GASB 96, respectively.

The Town’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 4,434,000	\$ 5,732,000	\$ 16,560,000	\$ 18,014,000	\$ 20,994,000	\$ 23,746,000
Bond premium	637,644	690,781	1,367,862	1,481,850	2,005,506	2,172,631
Leases	82,998	83,306	-	-	82,998	83,306
Subscriptions liabilities	716,805	71,741	-	-	716,805	71,741
Total	\$ 5,871,447	\$ 6,577,828	\$ 17,927,862	\$ 19,495,850	\$ 23,799,309	\$ 26,073,678

The Town’s total net debt decreased by \$2,274,368 or 8.7% during the fiscal year ended June 30, 2025, primarily as a result of scheduled debt service payments, offset by new SBITA obligations of \$890,763 in the current year. All fiscal year 2025 debt service payments were made timely.

The Town has maintained a rating of AA from Standard & Poor’s and Aa2 from Moody’s Investors Service for its outstanding general obligation debt. Moody’s annual credit overview issued in June 2021 states the Town has a robust financial position, a healthy wealth and income profile, a sizable tax base, a manageable debt burden and a mid-ranged pension liability, with the Aa2 rating re-affirmed in February 2025.

Additional information on the Town’s long-term debt can be found in Note 7 of the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2026 fiscal year:

- Overall real property tax receipts remain steady year over year, increasing primarily only for growth in residential development, and starting with 2025 taxes, the Town will begin to realize increases from rezoning for data center parcels. Fiscal year 2026 real estate tax revenues were budgeted at approximately 1.7% (or \$30,000) higher than fiscal year 2025, with actual tax billings based on assessments approximately \$100,000 higher than budget. Personal property tax revenues were budgeted at approximately the same level as fiscal year 2025, to reflect continued growth and offset slightly to account for prior year revenues below budget. After several years of decline in personal property assessments for motor vehicles since the pandemic highs, actual personal property assessments were approximately 5.9% higher for the 2025 tax year. Town Council adopted a 2025 real estate tax rate of \$0.061 per \$100 of assessed value, which represents a reduction from the prior year solely related to equalization for re-assessments in 2025. Town Council adopted a tax rate on vehicles of \$0.75 per \$100 of assessed value, a rate of \$1.00 per \$100 for all other classes of personal property, and a rate for machinery and tools of \$0.80 per \$100, all unchanged from the prior year.

- Other local taxes (sales and use tax, meals tax, lodging tax, admissions tax) were budgeted upwards in fiscal year 2026 by \$228,000 (or 2.3%), to more closely mirror the lower inflation projections after the pandemic inflation rate highs.
- Budgeted general fund operating expenditures in fiscal year 2026 of \$27.7 million are approximately \$1 million greater than the fiscal year 2025 adopted budget amounts. The primary drivers for this increase are staff wage and benefit increases of approximately 7% to be able to remain competitive in the local job market and in the current low unemployment environment, as well as inflationary increases in operating costs across all departments, offset by reductions for one-time projects in the prior year.
- The rate of building and development activity continues to be robust in the local area, and the continued need for residential units throughout the Town is strong, based on existing demand as well as future growth projections. Growth is best measured by water and sewer tap sales, with 282 new water and sewer taps in fiscal year 2025, up from 167 water and sewer taps in fiscal year 2024. Initial projections are for 160 new taps in fiscal year 2026, with 53 realized to date through end of October 2025. Residential construction is ongoing, with developer plans approved for several hundred more units in the Town limits and just outside in the water and sewer service area with buildout expected to take place within the next 2-3 years. Commercial construction for data centers is projected to begin during the 2nd half of calendar 2026, with initial impact to town property tax and tap fee budget revenues anticipated for the fiscal 2029 budget.
- Town Council approved a 3% increase in water utility rates for fiscal year 2026, a 3% increase in sewer utility rates, and adopted a 2% rate increase for the electric fund.

REQUESTS FOR INFORMATION

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

Howard A. Kartel, CPA, MGT, Director of Finance/Town Treasurer, Town of Culpeper, 400 South Main Street, Suite 109, Culpeper, Virginia 22701. Email: hkartel@culpeperva.gov

BASIC FINANCIAL STATEMENTS

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION June 30, 2025

	Primary Government			Discretely Presented
	Governmental Activities	Business-Type Activities	Total	Component Unit Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,913,001	\$ 4,174,257	\$ 9,087,258	\$ 74,447
Investments (Note 2)	25,530,852	24,287,619	49,818,471	-
Receivables, net (Note 3)	1,333,358	3,665,028	4,998,386	-
Due from other governmental units (Note 5)	567,696	-	567,696	-
Lease receivable (Note 8)	554,708	-	554,708	-
Inventories	-	2,031,831	2,031,831	-
Cash and cash equivalents, restricted (Note 2)	2,315,465	-	2,315,465	53,189
Receivables, restricted (Note 3)	1,050	-	1,050	-
Prepaid items	278,804	12,878	291,682	-
Capital assets (Note 6)				
Nondepreciable	9,005,159	10,062,981	19,068,140	-
Depreciable, net	52,092,905	67,338,918	119,431,823	-
Total assets	96,592,998	111,573,512	208,166,510	127,636
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	2,810,337	1,102,626	3,912,963	-
Deferred outflows related to other postemployment benefits (Note 11 & 12)	327,487	128,954	456,441	-
Deferred amount on refunding	101,066	509,354	610,420	-
Total deferred outflows of resources	3,238,890	1,740,934	4,979,824	-
LIABILITIES				
Accounts payable and accrued liabilities	1,240,858	1,603,401	2,844,259	-
Project escrow	-	246,564	246,564	-
Accrued payroll and related liabilities	909,781	296,662	1,206,443	-
Accrued interest payable	59,289	210,784	270,073	-
Due to other governments	86,317	-	86,317	-
Retainage payable	184,556	360,720	545,276	-
Bonds and security deposits	139,401	867,987	1,007,388	-
Debt service reserve	-	-	-	47,630
Unearned revenue	-	363,000	363,000	-
Noncurrent liabilities:				
Due within one year:				
Other long-term debt (Note 7)	1,490,607	1,614,988	3,105,595	-
Total other postemployment benefits liability (Note 11 & 12)	126,150	50,292	176,442	-
Compensated absences (Note 7)	1,108,599	433,017	1,541,616	-
Due in more than one year:				
Other long-term debt (Note 7)	4,380,840	16,312,874	20,693,714	-
Compensated absences (Note 7)	1,323,688	551,918	1,875,606	-
Pension liability (Note 10)	4,086,860	1,603,468	5,690,328	-
Total other postemployment benefits liability (Note 11 & 12)	1,545,757	601,548	2,147,305	-
Total liabilities	16,682,703	25,117,223	41,799,926	47,630
DEFERRED INFLOWS OF RESOURCES				
Lease related (Note 8)	538,540	-	538,540	-
Property taxes collected in advance	32,166	-	32,166	-
Deferred inflows related to pensions (Note 10)	981,059	384,915	1,365,974	-
Deferred inflows related to other postemployment benefits (Note 11 & 12)	615,532	239,674	855,206	-
Total deferred inflows of resources	2,167,297	624,589	2,791,886	-
NET POSITION				
Net investment in capital assets	54,826,014	59,411,526	114,237,540	-
Restricted				
Special tax districts	320,537	-	320,537	-
Public safety - asset seizure funds	69,361	-	69,361	-
Cemetery - expendable	1,372,372	-	1,372,372	-
Cemetery - nonexpendable	370,097	-	370,097	-
IDA - Salem Volunteer Fire Department	-	-	-	53,189
Unrestricted	24,023,507	28,161,108	52,184,615	26,817
Total net position	\$ 80,981,888	\$ 87,572,634	\$ 168,554,522	\$ 80,006

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	Totals	
Governmental activities:								
General government administration	\$ 2,314,306	\$ 71,556	\$ 17,997	\$ -	\$ (2,224,753)	\$ -	\$ (2,224,753)	
Public safety	8,925,642	157,108	531,584	-	(8,236,950)	-	(8,236,950)	
Public works	7,649,709	298,246	2,800,946	-	(4,550,517)	-	(4,550,517)	
Parks, recreation and cultural	2,245,343	78,067	150,904	-	(2,016,372)	-	(2,016,372)	
Community development	2,814,937	260,286	92,065	-	(2,462,586)	-	(2,462,586)	
Parking Authority	133,349	-	-	-	(133,349)	-	(133,349)	
Interest on long-term debt	101,470	-	-	-	(101,470)	-	(101,470)	
Total governmental activities	24,184,756	865,263	3,593,496	-	(19,725,997)	-	(19,725,997)	
Business-type activities:								
Water	5,725,574	4,650,460	1,926,000	-	-	850,886	850,886	
Wastewater	6,958,277	5,596,238	2,998,589	703,597	-	2,340,147	2,340,147	
Electric	15,429,695	16,342,542	-	3,436	-	916,283	916,283	
Total business-type activities	28,113,546	26,589,240	4,924,589	707,033	-	4,107,316	4,107,316	
Total primary government	\$ 52,298,302	\$ 27,454,503	\$ 8,518,085	\$ 707,033	(19,725,997)	4,107,316	(15,618,681)	
Component Unit:								
Industrial Development Authority	\$ 58,895	\$ -	\$ -	\$ -	-	-	-	\$ (58,895)
Total component unit	\$ 58,895	\$ -	\$ -	\$ -	-	-	-	(58,895)
General Revenues:								
Taxes:								
General property taxes					3,712,526	-	3,712,526	-
Other local taxes:								
Meals tax					6,224,312	-	6,224,312	-
Local sales and use tax					3,059,465	-	3,059,465	-
Business license tax					1,401,857	-	1,401,857	-
Bank stock tax					531,880	-	531,880	-
Cigarette tax					159,333	-	159,333	-
Hotel and motel room tax					752,825	-	752,825	-
Other local taxes					205,932	-	205,932	-
Intergovernmental revenue					229,498	-	229,498	57,730
Use of money and property					2,231,322	1,476,335	3,707,657	1,578
Miscellaneous					537,491	-	537,491	-
Transfers (Note 4)					805,477	(805,477)	-	-
Total general revenues and transfers					19,851,918	670,858	20,522,776	59,308
Change in net position					125,921	4,778,174	4,904,095	413
Net Position, beginning, as previously reported					81,879,794	83,172,869	165,052,663	79,593
Restatement for the adoption of GASB 101					(1,023,827)	(378,409)	(1,402,236)	-
Net Position, as restated					80,855,967	82,794,460	163,650,427	79,593
Net Position, ending					\$ 80,981,888	\$ 87,572,634	\$ 168,554,522	\$ 80,006

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents (Note 2)	\$ 4,913,001	\$ -	\$ 4,913,001
Investments (Note 2)	25,530,852	-	25,530,852
Receivables, net (Note 3)	1,333,358	-	1,333,358
Due from other governmental units (Note 5)	567,696	-	567,696
Lease receivable (Note 8)	554,708	-	554,708
Cash and cash equivalents, restricted (Note 2)	574,046	1,741,419	2,315,465
Receivables, restricted (Note 2)	-	1,050	1,050
Prepaid items	278,804	-	278,804
Total assets	\$ 33,752,465	\$ 1,742,469	\$ 35,494,934
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,240,858	\$ -	\$ 1,240,858
Due to other governments	86,317	-	86,317
Retainage payable	184,556	-	184,556
Accrued payroll and related liabilities	909,781	-	909,781
Bonds and security deposits	139,401	-	139,401
Total liabilities	2,560,913	-	2,560,913
DEFERRED INFLOWS OF RESOURCES			
Lease related (Note 8)	538,540	-	538,540
Property taxes collected in advance	32,166	-	32,166
Unavailable revenue	376,869	-	376,869
Total deferred inflows of resources	947,575	-	947,575
FUND BALANCES			
Nonspendable	278,804	1,372,372	1,651,176
Restricted	434,644	370,097	804,741
Committed	2,086,908	-	2,086,908
Assigned	10,786,378	-	10,786,378
Unassigned	16,657,243	-	16,657,243
Total fund balances	30,243,977	1,742,469	31,986,446
Total liabilities, deferred inflows of resources and fund balances	\$ 33,752,465	\$ 1,742,469	\$ 35,494,934

TOWN OF CULPEPER, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025**

	Governmental Funds	
Total fund balances - governmental funds	\$	31,986,446
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Nondepreciable	\$	9,005,159
Depreciable and amortizable, net		<u>52,092,905</u>
Net capital assets		61,098,064
<p>Deferred loss on refundings, discounts, and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt in the statement of net position:</p>		
<p>Bond premiums total \$1,115,879 net of accumulated amortization of \$478,235.</p>		
		(637,644)
<p>Deferred loss on refunding total \$458,475 net of accumulated amortization of \$357,409.</p>		
		<u>101,066</u>
		(536,578)
<p>Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
		376,869
<p>Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
<p>Deferred outflows related to:</p>		
Pension		2,810,337
Other postemployment benefits		327,487
<p>Deferred inflows related to:</p>		
Pension		(981,059)
Other postemployment benefits		(615,532)
Net Pension liability		(4,086,860)
Total other postemployment benefits liability		<u>(1,671,907)</u>
		(4,217,534)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
General obligation bonds		(4,434,000)
Subscription liability		(716,805)
Lease liability		(82,998)
Compensated absences		(2,432,287)
Accrued interest		<u>(59,289)</u>
		<u>(7,725,379)</u>
Net position of governmental activities	\$	<u>80,981,888</u>

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2025**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 3,949,607	\$ -	\$ 3,949,607
Other local taxes	12,335,604	-	12,335,604
Permits, privilege fees and regulatory licenses	256,092	-	256,092
Fines and forfeitures	214,859	-	214,859
Use of money and property	2,157,207	74,115	2,231,322
Charges for services	394,312	-	394,312
Miscellaneous	469,341	68,150	537,491
Recovered costs	3,918,195	-	3,918,195
Intergovernmental	3,668,512	-	3,668,512
Total revenues	27,363,729	142,265	27,505,994
Expenditures:			
Current:			
General government administration	6,048,348	-	6,048,348
Public safety	9,362,297	-	9,362,297
Public works	6,365,804	-	6,365,804
Parks, recreation and cultural	2,273,408	-	2,273,408
Community development	2,787,563	-	2,787,563
Parking Authority	133,349	-	133,349
Capital projects	2,117,843	-	2,117,843
Debt service			
Principal retirement	1,578,970	-	1,578,970
Interest and fiscal charges	136,970	-	136,970
Total expenditures	30,804,552	-	30,804,552
Excess (deficiency) of revenues over (under) expenditures	(3,440,823)	142,265	(3,298,558)
Other financing sources:			
Issuance of lease liability	34,963	-	34,963
Issuance of subscription liability	890,763	-	890,763
Transfers in (Note 4)	805,477	-	805,477
Total other financing sources	1,731,203	-	1,731,203
Net change in fund balances	(1,709,620)	142,265	(1,567,355)
Fund balances, beginning	31,953,597	1,600,204	33,553,801
Fund balances, ending	<u>\$ 30,243,977</u>	<u>\$ 1,742,469</u>	<u>\$ 31,986,446</u>

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2025

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ (1,567,355)	
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization in the current period.		
Expenditures for capital assets	\$ 4,616,104	
Less: depreciation and amortization expense	<u>(3,567,036)</u>	
Excess of capital outlays over depreciation and amortization		1,049,068
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		(61,518)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		(237,081)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
General obligation bonds principal repayment	1,298,000	
Amortization of bond premiums	53,137	
Amortization of loss on refunding	(25,266)	
Issuance of lease liability	(34,963)	
Issuance of subscription liability	(890,763)	
Leases principal	35,271	
Subscriptions principal	<u>245,699</u>	
		681,115
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.		
Changes in accrued interest	7,629	
Changes in pension liabilities and related deferred outflows and inflows of resources	342,288	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	79,870	
Compensated absences	<u>(168,095)</u>	
		<u>261,692</u>
Change in net position of governmental activities		<u><u>\$ 125,921</u></u>

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 4,002,800	\$ 4,013,647	\$ 3,949,607	\$ (64,040)
Other local taxes	11,994,500	11,994,500	12,335,604	341,104
Permits, privilege fees and regulatory licenses	155,000	155,000	256,092	101,092
Fines and forfeitures	145,500	145,500	214,859	69,359
Use of money and property	962,776	962,776	2,157,207	1,194,431
Charges for services	319,000	319,000	394,312	75,312
Miscellaneous	165,850	228,632	469,341	240,709
Recovered costs	3,912,816	3,912,816	3,918,195	5,379
Intergovernmental	3,270,604	3,806,368	3,668,512	(137,856)
Total revenues	24,928,846	25,538,239	27,363,729	1,825,490
Expenditures:				
Current:				
General government administration	6,389,108	6,407,172	6,048,348	(358,824)
Public safety	8,818,604	9,239,977	9,362,297	122,320
Public works	5,805,929	6,924,151	6,365,804	(558,347)
Parks, recreation and cultural	941,066	5,804,916	2,273,408	(3,531,508)
Community development	2,779,907	3,128,341	2,787,563	(340,778)
Parking authority	91,350	161,350	133,349	(28,001)
Capital projects	20,000	3,188,770	2,117,843	(1,070,927)
Debt service:				
Principal retirement	1,298,000	1,298,000	1,578,970	280,970
Interest and fiscal charges	133,388	133,388	136,970	3,582
Total expenditures	26,277,352	36,286,065	30,804,552	(5,481,513)
Excess (deficiency) of revenues over (under) expenditures	(1,348,506)	(10,747,826)	(3,440,823)	7,307,003
Other Financing Sources:				
Reserve balances	543,029	9,942,349	-	(9,942,349)
Issuance of lease	-	-	34,963	34,963
Issuance of subscription liability	-	-	890,763	890,763
Transfer in (Note 4)	805,477	805,477	805,477	-
Total other financing sources	1,348,506	10,747,826	1,731,203	(9,016,623)
Net change in fund balance	\$ -	\$ -	\$ (1,709,620)	\$ (1,709,620)

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS June 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 1,339,792	\$ 1,309,634	\$ 1,524,831	\$ 4,174,257
Receivables, net (Note 3)	553,034	755,321	2,356,673	3,665,028
Investments (Note 2)	7,281,240	8,682,805	8,323,574	24,287,619
Inventories	477,284	323,706	1,230,841	2,031,831
Prepaid expenses	3,774	5,645	3,459	12,878
Total current assets	9,655,124	11,077,111	13,439,378	34,171,613
Noncurrent assets:				
Capital assets (Note 6)				
Nondepreciable	2,921,993	7,042,451	98,537	10,062,981
Depreciable, net	32,713,837	30,672,492	3,952,589	67,338,918
Total noncurrent assets	35,635,830	37,714,943	4,051,126	77,401,899
Total assets	45,290,954	48,792,054	17,490,504	111,573,512
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	318,198	366,795	417,633	1,102,626
Deferred outflows related to other postemployment benefits (Note 11 & 12)	38,452	46,196	44,306	128,954
Deferred amount on refunding	1,162	473,372	34,820	509,354
Total deferred outflows of resources	357,812	886,363	496,759	1,740,934
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	62,566	302,429	1,238,406	1,603,401
Project escrow	-	-	246,564	246,564
Retainage payable	-	360,720	-	360,720
Accrued payroll and related liabilities	89,603	105,553	101,506	296,662
Accrued interest payable	27,776	164,375	18,633	210,784
Unearned revenue	-	-	363,000	363,000
Customer security deposits	180,466	-	687,521	867,987
Current portion of other long-term debt (Note 7)	639,041	638,717	337,230	1,614,988
Compensated absences (Note 7)	130,816	146,224	155,977	433,017
Total other postemployment benefits liability (Note 11 & 12)	15,030	18,094	17,168	50,292
Total current liabilities	1,145,298	1,736,112	3,166,005	6,047,415
Noncurrent liabilities:				
Other long-term debt (Note 7)	4,051,450	10,660,892	1,600,532	16,312,874
Compensated absences (Note 7)	106,727	190,163	255,028	551,918
Net Pension liability (Note 10)	462,732	533,403	607,333	1,603,468
Total other postemployment benefits liability (Note 11 & 12)	181,831	221,066	198,651	601,548
Total noncurrent liabilities	4,802,740	11,605,524	2,661,544	19,069,808
Total liabilities	5,948,038	13,341,636	5,827,549	25,117,223
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 10)	111,080	128,044	145,791	384,915
Deferred inflows related to other postemployment benefits (Note 11 & 12)	73,008	89,358	77,308	239,674
Total deferred inflows of resources	184,088	217,402	223,099	624,589
NET POSITION				
Net investment in capital assets	30,941,060	26,322,282	2,148,184	59,411,526
Unrestricted	8,575,580	9,797,097	9,788,431	28,161,108
Total net position	\$ 39,516,640	\$ 36,119,379	\$ 11,936,615	\$ 87,572,634

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Revenues:				
Charges for metered services	\$ 4,281,551	\$ 5,390,108	\$ 15,198,439	\$ 24,870,098
Service connection charges	-	-	594,000	594,000
Other	368,909	206,130	550,103	1,125,142
Total operating revenues	4,650,460	5,596,238	16,342,542	26,589,240
Operating Expenses:				
Treatment	3,237,534	4,589,657	-	7,827,191
Transmission, distribution and collection	1,088,844	636,752	3,372,328	5,097,924
Generation (Note 15)	-	-	9,514,406	9,514,406
Administration	-	-	1,910,788	1,910,788
Depreciation and amortization	1,327,910	1,388,599	618,998	3,335,507
Total operating expenses	5,654,288	6,615,008	15,416,520	27,685,816
Operating income (loss)	(1,003,828)	(1,018,770)	926,022	(1,096,576)
Nonoperating Revenue (Expenses)				
Tap fees	1,926,000	2,995,000	-	4,921,000
Net investment income	475,544	486,764	514,027	1,476,335
Intergovernmental revenues	-	3,589	-	3,589
Interest expense	(71,286)	(350,301)	(37,617)	(459,204)
Gain on disposal of capital assets	-	7,032	24,442	31,474
Net nonoperating revenue	2,330,258	3,142,084	500,852	5,973,194
Income before capital contributions and transfers	1,326,430	2,123,314	1,426,874	4,876,618
Capital contributions and transfers				
Capital contributions	-	-	3,436	3,436
Intergovernmental revenues	-	703,597	-	703,597
Transfers out (Note 4)	(144,132)	(169,391)	(491,954)	(805,477)
Net capital contributions and transfers	(144,132)	534,206	(488,518)	(98,444)
Change in net position	1,182,298	2,657,520	938,356	4,778,174
Net position, beginning, as previously reported	38,420,942	33,597,012	11,154,915	83,172,869
Restatement for implementation of GASB 101	(86,600)	(135,153)	(156,656)	(378,409)
Net position, beginning, as restated	38,334,342	33,461,859	10,998,259	82,794,460
Net position, ending	\$ 39,516,640	\$ 36,119,379	\$ 11,936,615	\$ 87,572,634

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS –PROPRIETARY FUNDS Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Activities				
Receipts from customers	\$ 4,639,993	\$ 5,580,016	\$ 16,143,400	\$ 26,363,409
Payments to suppliers	(2,402,181)	(2,643,795)	(11,681,610)	(16,727,586)
Payments to employees	(1,970,028)	(2,460,242)	(2,315,257)	(6,745,527)
Net cash provided by operating activities	267,784	475,979	2,146,533	2,890,296
Noncapital Financing Activities				
Intergovernmental revenues	-	707,186	-	707,186
Tap fees collected	1,926,000	2,995,000	-	4,921,000
Interfund transfers	(144,132)	(169,391)	(491,954)	(805,477)
Net cash provided by (used in) noncapital financing activities	1,781,868	3,532,795	(491,954)	4,822,709
Capital and Related Financing Activities				
Acquisition of capital assets	(1,273,581)	(1,780,672)	(494,423)	(3,548,676)
Proceeds on the disposal of capital assets	-	9,575	37,500	47,075
Principal paid on general obligation bonds	(630,000)	(520,000)	(304,000)	(1,454,000)
Capital contributions	-	-	3,436	3,436
Interest paid on general obligation bonds	(75,647)	(407,500)	(50,954)	(534,101)
Net cash used in capital and related financing activities	(1,979,228)	(2,698,597)	(808,441)	(5,486,266)
Investing Activities				
Proceeds from the sale of investments	1,836,450	2,081,310	1,958,880	5,876,640
Purchase of investments	(2,049,768)	(3,843,051)	(2,853,500)	(8,746,319)
Interest received, net fair value change	475,544	486,764	514,027	1,476,335
Net cash provided by (used in) investing activities	262,226	(1,274,977)	(380,593)	(1,393,344)
Net increase in cash and cash equivalents	332,650	35,200	465,545	833,395
Cash and Cash Equivalents				
Beginning	1,007,142	1,274,434	1,059,286	3,340,862
Ending	\$ 1,339,792	\$ 1,309,634	\$ 1,524,831	\$ 4,174,257
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (1,003,828)	\$ (1,018,770)	\$ 926,022	\$ (1,096,576)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,327,910	1,388,599	618,998	3,335,507
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(13,886)	(16,222)	(183,398)	(213,506)
Inventories	27,387	15,678	127,578	170,643
Prepaid expenses	(118)	(203)	(65)	(386)
Pension related deferred outflows of resources	(91,124)	(155,438)	(145,797)	(392,359)
OPEB related deferred outflows of resources	1,512	(973)	1,324	1,863
(Decrease) increase in:				
Accounts payable and accrued liabilities	(56,161)	57,219	684,951	686,009
Accrued payroll and related liabilities	40,246	39,711	34,494	114,451
Customer security deposits	3,419	-	(15,744)	(12,325)
Net pension liability	42,925	142,654	104,772	290,351
Net OPEB liability	(5,278)	3,595	(10,752)	(12,435)
Pension related deferred inflows of resources	(495)	24,192	12,223	35,920
OPEB related deferred inflows of resources	(4,725)	(4,063)	(8,073)	(16,861)
Net cash provided by operating activities	\$ 267,784	\$ 475,979	\$ 2,146,533	\$ 2,890,296
Noncash Capital and Related Financing Activities				
Capital asset additions included in accounts payable at year-end	\$ 5,441	\$ 216,529	\$ -	\$ 221,970

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Culpeper, Virginia (the Town) was established in 1870. The Town provides a full range of municipal services, including general government administration, public safety, public works, and electric, water and wastewater utilities. The Town is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and eight other members elected at large. The Council has responsibility for appointing the Town Manager, Town Clerk, and Town Attorney. The Town has taxing power subject to statewide restrictions and debt limits.

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). During the current year, The Town adopted GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. As required by GAAP, the financial statements of the reporting entity include those of the Town (the primary government) and its component unit.

B. Discretely Presented Component Unit

The Industrial Development Authority of the Town of Culpeper, Virginia (IDA or the Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Culpeper, Virginia on October 29, 1968 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Section 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town to four-year terms and there is a financial benefit/burden relationship between the IDA and the Town. The Authority does not issue separate financial statements but is included in the Town's financial statements for the fiscal year ended June 30, 2025 as a discretely presented component unit.

The Authority is empowered, among other things, to acquire, own, lease and dispose of any of its facilities and to make loans or grants in furtherance of its purposes as set forth by law, including to promote industry and develop trade by inducing manufacturing, industrial, government, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth and further the use of its agricultural products and natural resources.

The Authority is specifically authorized to issue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by it. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been eliminated 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.

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 included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 generally considers revenues to be available if they are collected within 45 days of the end of the current period. The Town considers expenditure driven grant reimbursements as revenue in the period in which the expenditure has been incurred and all eligibility requirements have been met. 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, intergovernmental revenue, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following governmental funds:

The General Fund is the Town's primary operating fund and is considered a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Cemetery Perpetual Care Fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's cemetery and is not considered a major fund.

The Cemetery Permanent Fund is used to account for the cemetery corpus, which is included in the nonspendable portion of fund balance and is not considered a major fund.

The Town reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water treatment and distribution system.

The Wastewater Fund accounts for the activities of the Town's wastewater collection and treatment system.

The Electric Fund accounts for the activities of the Town's electric system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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, wastewater, and electric funds are charges to customers for services. Operating expenses for enterprise funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include tap fees, which is the sale of water and sewer capacity. At purchase, the tap fee attaches to the property. Town policy allows for refunding this fee within twenty-four months as long as the connection has not been made. Revenue is recognized upon approval of the tap connection.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

Following are the procedures used to establish the budgetary data reflected in the financial statements:

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the subsequent fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the subsequent year budget is legally enacted through passage of an appropriations resolution. The appropriations resolution places legal restrictions on expenditures at the fund level.
- 4) Formal budgetary integration is employed as a management control device for most funds.
- 5) The budget for the general fund is adopted on the modified accrual basis of accounting.
- 6) All appropriations which are not encumbered lapse at year end.

F. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Property Taxes

Property is assessed and taxes are levied for both real estate and personal property, on January 1 for the assessment date, and become a lien as of that date. Tax assessments and levy information are provided by Culpeper County. Real estate and personal property taxes are payable in one annual installment on January 31 of the subsequent year. A penalty of 10% for late payment and interest at the rate of 10% per annum are charged on unpaid balances. The Town bills and collects its own property taxes.

Town ordinance provides for an economic development program which allows eligible businesses to receive tax incentives based on the new taxes they pay to partially compensate for new investments and job training expenses in the Town. Businesses must invest at least \$500,000 in a year and submit an application for each year their investments exceed this level for review and approval prior to any incentives being paid in subsequent years. Total incentives paid in fiscal year 2025 were approximately \$57,700.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

J. Restricted Cash

The General Fund's restricted cash and cash equivalents include grant proceeds in which cash was received before expenditures have been incurred, as well as developer project cash bonds and Special Tax District funds. The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted cash and cash equivalents balances are restricted in accordance with the trust agreement.

K. Restricted Investments

The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted investment balances are restricted in accordance with the trust agreement.

L. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist of parts and materials held for consumption for the water, wastewater, and electric operations, which are expensed when used.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Assets

Capital assets, which include property, plant and equipment, intangible right-to-use lease equipment and subscription assets, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of a minimum of five years. Right-to-use lease equipment and subscription assets may have an estimated useful life of a minimum of one year, based on the term of the agreement. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value. There were no impaired assets at year end.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

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

Buildings and improvements	20 - 99 years
Software, machinery and equipment	5 - 30 years
Intangible right-to-use lease equipment and subscription assets	Life of lease or subscription with minimum of one year
Infrastructure	30 - 70 years

Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources which represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has several items that qualify for reporting in this category. The first item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The remaining items relate to the pension plan and the other postemployment benefits (OPEB) plans. See Notes 10 through 12 for details regarding these items.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources which represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Several types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also recognizes lease related charges as deferred inflows in the governmental activities. The remaining items relate to the pension plan and the OPEB plans. See Notes 10 through 12 for details regarding these items.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

Employees accumulate vacation time and sick leave depending upon their length of service. Accumulated vacation is paid upon termination to a limit based on years of service. Sick leave is paid to employees who leave the Town in good standing with 5 or more years of service at 25% of their accumulated sick leave up to a maximum of \$5,000. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only when the amounts are due and payable. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

The Town adopted GASB Statement No. 101, *Compensated Absences*, on July 1, 2024. Beginning adjustments to the compensated absences liability resulted in a change to beginning governmental net position and enterprise fund balance. See note 19 for additional detail surrounding the change in accounting principle.

P. Pension

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Town's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expenses, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by 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.

Q. Other Postemployment Benefits

Local Plan

The Town's Local Plan is a single-employer defined benefit plan administered by the Town. Health benefits include medical, dental, and vision insurance. Retirees may also elect to cover eligible spouses and/or dependents. It provides post-employment medical coverage for retired employees. Participants who do not retire directly from active service are not eligible for the benefit. Participants must meet eligibility for retirement or disability retirement with VRS to be eligible for health benefits. In addition, retirees must have 10 years of service with the Town. Participating retirees pay 100% of the monthly premium cost to continue with the Town's insurance plans.

Further, retirees with 15 or more years of service are eligible to receive a Town contribution towards medical coverage. Retirees also must have participated in the Town's health insurance program for the five years immediately preceding retirement.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Other Postemployment Benefits (Continued)

Group Life Insurance

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

S. Leases

Lessee: The Town is a lessee for noncancellable leases of equipment. The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. The Town recognized lease liabilities with an individual or class value of \$5,000 or more.

At the commencement of the lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

S. Leases (Continued)

Key estimates and judgements related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for noncancellable leases of property. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of the lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow or resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

T. Subscription-Based Information Technology Arrangements (SBITAs)

For new or modified contracts, the Town determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Town records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Town will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Town recognizes a subscription liability and a right-to-use subscription asset on the Statements of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Town measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The right-to-use subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

U. Fund Balances

In the fund financial statements, governmental funds report classifications of fund balance as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- **Restricted** – 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** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council through adoption of a resolution. Only Town Council may modify or rescind the commitment.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the Town Council or by the Town Manager or Town Treasurer, who has been designated this authority by the Town Council.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

V. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

W. Restricted Amounts

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

X. Minimum Fund Balance Policy

Within its general fund balance, the Town maintains a fiscal stability reserve amount for cash liquidity purposes. That balance should be sufficient to meet the Town's cyclical cash flows requirements and avoid the need for short-term tax anticipation borrowing. The fiscal stability reserve should have a balance that is not less than fifteen percent of the budgeted expenditures of the general fund and an optimum balance of thirty percent of expenditures.

Enterprise funds of the Town have a specified net position target of one hundred percent of operating expenses before depreciation and an optimum balance of two hundred percent of operating expenses. Further, when calculating reserves for the Electric Fund, purchased power costs shall be included at a balance of 30% of annual expense, as this is primarily a pass-through based on electric utility customer consumption.

Y. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Z. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. General, Water, Wastewater, and Electric fund encumbrances are \$1,517,562, \$389,930, \$1,010,394, and \$968,844, respectively, as of June 30, 2025.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

AA. Subsequent Events

The Town has evaluated subsequent events through November 18, 2025, the date on which the financial statements were available to be issued.

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy: In accordance with the *Code of Virginia* and other applicable laws and regulations, the Town’s investment policy permits investments in treasury securities, agency securities, prime quality commercial paper, certificates of deposit issued by domestic banks, bankers’ acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, the Virginia State Non-Arbitrage Program (SNAP) or other authorized arbitrage investment management programs, the State Treasurer’s Local Government Investment Pool (the Virginia LGIP), and the Virginia Investment Pool (VIP).

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79).

VML/VACo’s Stable NAV Liquidity Pool (VIP) is used by local governments to invest assets as part of their day-to-day cash management strategy. The VIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 valued using the market approach based on quoted prices for similar assets in inactive markets
- Level 3 valued using the income approach

	Level 1	Level 2
U.S. Treasury and Agency securities	\$ 20,364,145	\$ 6,165,066
Municipal bonds	480,973	14,310,662
Certificates of deposit	-	8,922,995
Virginia Investment Pool 1 - 3 Bond Fund	-	1,065,406

As of June 30, 2025, the Town has the following deposits and investments:

Type	Fair Value	Credit Rating	Percent of Portfolio
Primary Government			
Demand deposits	\$ 640,144	NR	1.05%
Certificates of deposit	8,922,995	NR	14.58%
U.S. Treasury and Agency	26,529,211	N/A	43.33%
Municipal bonds	14,791,635	AA-, AA+, AAA	24.16%
LGIP	261,063	AAAm	0.43%
VIP	10,076,146	AAAm	16.45%
Primary government investments	\$ 61,221,194		100.00%
Primary Government reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 9,087,258		
Investments	49,818,471		
Cash and cash equivalents, restricted	2,315,465		
Total deposits and investments	\$ 61,221,194		
Component Unit - IDA:			
Demand deposits	\$ 127,636	NR	100.00%
Component Unit - IDA reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 74,447		
Cash and cash equivalents, restricted	53,189		
	\$ 127,636		

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk

As required by *Code of Virginia* or Town policy, commercial paper shall have a rating of “P-1” or higher by Moody’s and “A-1” or higher by Standard & Poor’s issued by United States corporations, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard and Poor’s. Bankers’ acceptances can only be purchased if the yield is greater than the United States Treasury obligations or Federal Agency issues and must have a rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Certificates of deposit at state and federally chartered banks and savings and loan associations are limited to the amount of the Federal Deposit Insurance Corporation or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et. Seq. of the Code.

Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s.

Concentration of Credit Risk

In accordance with Town policy, no more than 15% of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. Government, or a maximum of 25% with any individual counter party in an external investment pool recognized under the Code. Investments in deposit accounts (cash) that are collateralized in accordance with the Virginia Security for Public Deposits Act (Section 2.2-4400 et. Seq. of the Code) have no limit on the amount deposited. Investments in excess of these stated limits shall be allowed on a temporary basis for up to 120 days in the event of a large transaction, or series of transactions, until they can be invested in accordance with policy.

The Town had the following investments at June 30 that exceeded 5 percent of the total investment balance. These investments were not considered by management to represent a risk to the Town.

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>
U.S. Treasury Securities	\$ 18,128,119	38.11%
Federal Home Loan Banks	3,535,521	7.43%
Federal Farm Credit Bank	3,298,876	6.94%

Interest Rate Risk

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The benchmark yield will be evaluated on an annual basis based on actual portfolio results over the prior 12 months and the expected portfolio average maturity over the future 12- month period. Return on investment is of secondary importance compared to the safety and liquidity objectives. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity.

Investments will be scheduled to ensure liquidity of funds to cover all expenditures. Investments may be invested with a target portfolio average maturity to be a maximum term of five years. A projection of the Town’s cash flows needs over a period of at least 12 months will be used to ensure adequate liquidity of funds.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk

The policy requires that all investment securities purchased be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, 2025, investments are held in a bank’s trust department in the Town’s name.

Restricted Amounts

Restricted cash and cash equivalents and investments consist of the following:

Non-expendable corpus of the cemetery perpetual care fund	\$ 1,371,322
Cemetery perpetual care funds	370,097
Lafayette Ridge Special Tax District	38,463
Willow Shade Special Tax District	44,187
Southridge Special Tax District	237,887
Cash bonds held by Town	139,402
Public safety asset seizure funds	39,768
Public safety Laurel Park proffer	29,593
Parks and rec Laurel Park proffer	44,746
	<u>\$ 2,315,465</u>

In addition, the Authority held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$53,189. These funds will be used towards the Authority’s payment on their Rural Development loan. The loan has not been reflected in the statement of net position for the Authority in accordance with the adoption of GASB Statement No. 91.

Note 3. Receivables

Primary Government

Receivables for the individual funds are as follows:

	General	Non-major Governmental	Water	Wastewater	Electric	Total
Receivables						
Property taxes	\$ 563,975	\$ -	\$ -	\$ -	\$ -	\$ 563,975
Restricted trade and other accounts	-	1,050	-	-	-	1,050
Trade and other accounts	990,996	-	560,534	762,821	2,376,673	4,691,024
Gross receivables	<u>1,554,971</u>	<u>1,050</u>	<u>560,534</u>	<u>762,821</u>	<u>2,376,673</u>	<u>5,256,049</u>
Less: allowance for uncollectibles	(221,613)	-	(7,500)	(7,500)	(20,000)	(256,613)
Receivables, net	<u>\$ 1,333,358</u>	<u>\$ 1,050</u>	<u>\$ 553,034</u>	<u>\$ 755,321</u>	<u>\$ 2,356,673</u>	<u>\$ 4,999,436</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Transfers

Interfund transfers are as follows:

Transfer Out Fund	Transfer In Fund	Total Transferred Out
Water	General	\$ 144,132
Wastewater	General	169,391
Electric	General	491,954
Total transferred in		\$ 805,477

The purpose of the transfers to the General Fund is payments in lieu of taxes.

Note 5. Due From Other Governmental Units

Amounts due from other governmental units are as follows:

Primary Government:

Governmental Funds:

Unrestricted:

General Fund

County of Culpeper:

Local sales tax	\$ 493,170
Court fines and e-ticketing	7,360

Commonwealth of Virginia:

Virginia 911 Services Board grant proceeds	3,000
Police department grant proceeds	6,220
Virginia Tourism Corporation	35,000
Communication sales & use tax	12,718
Car rental tax	4,837
Rolling stock tax	5,391

Total General Fund	567,696
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Total Governmental Funds	567,696
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Total Primary Government	\$ 567,696
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TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activities for the year ended June 30, 2025 are as follows:

	Beginning Balance July 1, 2024	Additions	Disposals	Transfers	Ending Balance June 30, 2025
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land and easements	\$ 8,221,211	\$ -	\$ -	\$ 673,142	\$ 8,894,353
Artwork and statues	29,348	-	-	-	29,348
Construction in progress	3,208,046	2,304,034	(61,518)	(5,369,104)	81,458
Total capital assets not being depreciated or amortized	11,458,605	2,304,034	(61,518)	(4,695,962)	9,005,159
Capital assets being depreciated or amortized:					
Buildings and improvements	30,033,472	26,834	(6,000)	1,833,710	31,888,016
Software, machinery and equipment	12,551,941	965,444	(314,769)	208,476	13,411,092
Intangible right-to-use lease equipment	464,757	34,963	(331,790)	-	167,930
Right-to-use subscription assets	297,261	871,137	(17,399)	-	1,150,999
Infrastructure	65,725,132	413,692	-	2,653,776	68,792,600
Total capital assets being depreciated or amortized	109,072,563	2,312,070	(669,958)	4,695,962	115,410,637
Less accumulated depreciation or amortization for:					
Buildings and improvements	15,657,770	738,149	(6,000)	-	16,389,919
Software, machinery and equipment	9,799,880	784,582	(314,769)	-	10,269,693
Intangible right-to-use lease equipment	354,382	64,683	(331,790)	-	87,275
Right-to-use subscription assets	113,475	281,866	(17,399)	-	377,942
Infrastructure	34,495,147	1,697,756	-	-	36,192,903
Total accumulated depreciation or amortization, as restated	60,420,654	3,567,036	(669,958)	-	63,317,732
Total capital assets being depreciated or amortized, net	48,651,909	(1,254,966)	-	4,695,962	52,092,905
Governmental activities capital assets, net	\$ 60,110,514	\$ 1,049,068	\$ (61,518)	\$ -	\$ 61,098,064

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance July 1, 2024	Additions	Disposals	Transfers	Ending Balance June 30, 2025
Business-Type Activities					
Capital assets not being depreciated or amortized:					
Land	\$ 1,755,835	\$ -	\$ -	\$ -	\$ 1,755,835
Construction in progress	6,309,249	2,575,220	(289,416)	(287,907)	8,307,146
Total capital assets not being depreciated or amortized	8,065,084	2,575,220	(289,416)	(287,907)	10,062,981
Capital assets being depreciated or amortized:					
Buildings and improvements	107,120,986	-	-	259,607	107,380,593
Software, machinery and equipment	14,497,941	1,056,905	(152,097)	-	15,402,749
Infrastructure	30,293,919	205,968	-	28,300	30,528,187
Total capital assets being depreciated or amortized	151,912,846	1,262,873	(152,097)	287,907	153,311,529
Less accumulated depreciation or amortization for:					
Buildings and improvements	67,097,114	2,031,722	-	-	69,128,836
Software, machinery and equipment	10,869,201	436,339	(136,495)	-	11,169,045
Infrastructure	4,807,284	867,446	-	-	5,674,730
Total accumulated depreciation or amortization	82,773,599	3,335,507	(136,495)	-	85,972,611
Total capital assets being depreciated or amortized, net	69,139,247	(2,072,634)	(15,602)	287,907	67,338,918
Business-type activities capital assets, net	\$ 77,204,331	\$ 502,586	\$ (305,018)	\$ -	\$ 77,401,899

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 194,946
Public safety	774,324
Public works	2,499,358
Parks, recreation and cultural	69,631
Community development	28,777
Total depreciation and amortization expense - governmental activities	\$ 3,567,036
Business-Type activities:	
Water	\$ 1,327,910
Wastewater	1,388,599
Electric	618,998
	\$ 3,335,507

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities

Primary Government

The following is a summary of changes in long-term liabilities:

	Beginning Balance (as restated)			Ending	
	July 1, 2024	Additions*	Deletions	Balance June 30, 2025	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,732,000	\$ -	\$ 1,298,000	\$ 4,434,000	\$ 1,249,000
Bond premium	690,781	-	53,137	637,644	53,137
Leases	83,306	34,963	35,271	82,998	33,761
Subscription liabilities	71,741	890,763	245,699	716,805	154,709
Compensated absences	2,264,192	168,095	-	2,432,287	1,108,599
Governmental activities long-term liabilities	\$ 8,842,020	\$ 1,093,821	\$ 1,632,107	\$ 8,303,734	\$ 2,599,206
Business-Type Activities:					
General obligation bonds	\$ 18,014,000	\$ -	\$ 1,454,000	\$ 16,560,000	\$ 1,501,000
Bond premium	1,481,850	-	113,988	1,367,862	113,988
Compensated absences	908,569	76,366	-	984,935	433,017
Business-type activities long-term liabilities	\$ 20,404,419	\$ 76,366	\$ 1,567,988	\$ 18,912,797	\$ 2,048,005

*The change in compensated absences is presented as net change.

Governmental activities long-term liabilities are liquidated by the General Fund.

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

Year(s) Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,249,000	\$ 81,736	\$ 1,501,000	\$ 487,005
2027	979,000	53,220	1,537,000	449,886
2028	859,000	37,584	1,543,000	411,238
2029	191,000	22,318	1,524,000	359,476
2030	201,000	16,754	1,415,000	314,090
2031-2035	955,000	24,892	6,145,000	966,270
2036-2038	-	-	2,895,000	136,750
	\$ 4,434,000	\$ 236,504	\$ 16,560,000	\$ 3,124,715

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Primary Government:

\$4,870,000 2016 refunding series, issued June 2016, due in annual maturities of \$80,000 to \$930,000 through August 2029, plus interest at 2.00% to 5.00% \$ 1,285,000

\$5,216,000 2020 refunding series, issued April 2020, due in annual maturities of \$101,000 to \$899,000 through February 2033, plus interest at 1.40% 3,149,000

Total General Obligation Bonds \$ 4,434,000

Business-Type Activities:

\$15,875,000 2016 refunding series, issued June 2016, due in annual maturities of \$755,000 to \$995,000 through August 2037, plus interest at 2.00% to 5.00% \$ 10,965,000

\$9,227,000 2020 refunding series, issued April 2020, due in annual maturities of \$160,000 to \$757,000 through February 2034, plus interest at 1.40% 5,595,000

Total General Obligation Bonds \$ 16,560,000

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Leases

Leases Receivable

During the current fiscal year, the Town leased property to various third parties. The leases vary in length with the longest expiring in May 2030. The Town will receive payments ranging from \$16,000 to \$60,286 during the life of the leases. The Town recognized \$204,300 in lease revenue and \$14,269 in interest revenue during the current fiscal year related to these leases. As of June 30, 2025, the Town’s receivable for lease payments was \$554,708. Also, the Town has deferred inflows of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2025, the balance of the deferred inflow of resources was \$538,540.

<u>Year Ending June 30,</u>	Lessor Leases	
	Primary Government	
	Principal	Interest
2026	\$ 184,435	\$ 11,085
2027	184,694	6,531
2028	98,320	2,710
2029	63,182	1,044
2030	24,077	199
	\$ 554,708	\$ 21,569

Leases Payable

During the current fiscal year, the Town had various lease agreements as lessee for equipment. As of June 30, 2025, the value of the lease liability was \$82,998. The Town is required to make monthly and annual principal and interest payments ranging from \$330 to \$7,435. The leases have interest rates ranging from 0.7268% to 3.2690%. The equipment has 1 to 5 years estimated useful life. The value of the intangible right-to-use lease assets as of the end of the current fiscal year was \$167,930 and had accumulated amortization of \$87,275.

The future principal and interest lease payments as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	Lessee Leases	
	Primary Government	
	Principal	Interest
2026	\$ 33,761	\$ 1,645
2027	27,794	917
2028	14,901	343
2029	4,886	103
2030	1,656	8
	\$ 82,998	\$ 3,016

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Subscription-Based Information Technology Arrangements

During the current fiscal year, the Town had fifteen SBITAs. As of June 30, 2025, the subscription liability was \$716,805. The Town is required to make annual principal and interest payments ranging from \$0 to \$121,761. The subscriptions include interest rates ranging from 2.282% to 3.631%. The right-to-use subscription assets have a 2-5 year estimated useful lives. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$1,150,999 and reported accumulated amortization of \$377,942.

The future principal and interest subscription payments as of June 30, 2025 are as follows:

Year Ending June 30,	Subscription liabilities	
	Primary Government	
	Principal	Interest
2026	\$ 154,709	\$ 16,983
2027	145,420	13,271
2028	144,771	9,800
2029	145,724	6,347
2030	126,181	2,879
	<u>\$ 716,805</u>	<u>\$ 49,280</u>

Note 10. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>132</u>
Inactive members:	
Vested	40
Non-vested	59
Active elsewhere in VRS	<u>69</u>
Total inactive members	<u>168</u>
Active members	<u>175</u>
Total covered employees	<u><u>475</u></u>

C. Contributions

The contribution requirement for active employees is governed by Section 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 contribution rate for the year ended June 30, 2025 was 11.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,739,199 and \$1,516,931 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$53,120 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$72,419 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$5,321,807 for the year ended June 30, 2025.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2023 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
– Post-retirement:	Pub-2020 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years, 90% of rates for females set back 3 years.
– Beneficiaries and Survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
– Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town’s retirement plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.
– Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males, 105% of rates for females set forward 3 years.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rated projected generationally with a Modified MP-2020 Improvements Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
– Beneficiaries and Survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.
– Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rated based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* Expected arithmetic nominal return 7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

E. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2023	\$ 52,964,003	\$ 48,064,240	\$ 4,899,763
Changes for the Year:			
Service cost	1,530,157	-	1,530,157
Interest	3,582,534	-	3,582,534
Difference between expected and actual experience	2,466,652	-	2,466,652
Contributions – employer	-	1,516,931	(1,516,931)
Contributions – employee	-	642,251	(642,251)
Net investment income	-	4,659,494	(4,659,494)
Benefit payments, including refunds of employee contributions	(2,839,165)	(2,839,165)	-
Administrative expense	-	(30,637)	30,637
Other changes	-	739	(739)
Net changes	4,740,178	3,949,613	790,565
Balances at June 30, 2024	<u>\$ 57,704,181</u>	<u>\$ 52,013,853</u>	<u>\$ 5,690,328</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Changes in the Net Pension Liability (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 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's net pension liability (asset)	\$ 13,202,435	\$ 5,690,328	\$ (423,288)

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

For the year ended June 30, 2025, the Town recognized pension expense of \$1,330,821. The Town also 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	\$ 2,173,764	\$ (36,171)
Net difference between projected and actual earnings on pension plan investments	-	(1,329,803)
Employer contributions subsequent to the measurement date	1,739,199	-
Total	\$ 3,912,963	\$ (1,365,974)

The \$1,739,199 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 year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ 149,340
2027	1,185,941
2028	(239,667)
2029	(287,824)
	<u>\$ 807,790</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

G. Pension Plan Data

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/pdf/publications/2024-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

H. Payables to the Pension Plan

At June 30, 2025, approximately \$205,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

Note 11. Other Postemployment Benefits – Local Plan

A. Plan Description and Benefits Provided

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate.

Participants in the Town's OPEB plan must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must meet eligibility for retirement or disability retirement with VRS to be eligible for health benefits. In addition, retirees must have 10 years of service with the Town.

Further, effective on or after July 1, 2020, retirees with 15 or more years of service are eligible to receive a Town contribution towards medical coverage. Retirees also must have participated in the Town's health insurance program for the five years immediately preceding retirement.

Health benefits include medical, dental, and vision insurance. Retirees may also elect to cover eligible spouses and/or dependents. Participating retirees pay 100% of the monthly premium cost to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

B. Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries	13
Active plan members	171
Total	184

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

C. Total OPEB Liability

The Town's total OPEB liability of \$1,727,398 was measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of June 30, 2023.

The plan is not administered through a trust or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

D. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	3.5 – 5.35%
Discount rate	3.93%
Healthcare cost trend rates	5.4% in 2023 3.9% by 2074

The discount rate was based on the Bond Buyer General Obligation 20 Bond Municipal Index.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study examining actual experience over the four year period ending June 30, 2020. The retiree and spousal election assumptions were based on actual retiree election experience between the period from April 1, 2016 to June 30, 2020.

E. Changes in the Total OPEB Liability

Balance at June 30, 2024	<u>\$ 1,725,059</u>
Changes for the year:	
Service cost	78,328
Interest	64,234
Changes in assumptions or other inputs	(52,260)
Benefit payments	<u>(87,963)</u>
Net changes	<u>2,339</u>
Balance at June 30, 2025	<u><u>\$ 1,727,398</u></u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

E. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town calculated using the discount rate of 3.93%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
Total OPEB Liability	\$ 1,925,629	\$ 1,727,398	\$ 1,558,738

F. Sensitivity of the Town’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.4%) or one percentage point higher (6.4%) than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 1,570,391	\$ 1,727,398	\$ 1,918,262

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Town recognized OPEB expense of \$46,975. At June 30, 2025, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (487,164)
Change in assumptions	148,568	(260,148)
Employer contributions subsequent to the measurement date	104,989	-
Total	\$ 253,557	\$ (747,312)

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

F. Sensitivity of the Town's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

The \$104,989 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year(s) Ending June 30,</u>	<u>Amount</u>
2026	\$ (94,753)
2027	(87,222)
2028	(86,087)
2029	(75,823)
2030	(75,825)
Thereafter	<u>(179,034)</u>
Total	<u>\$ (598,744)</u>

G. The Local OPEB Plan issues a stand-alone report that can be obtained by writing the Director of Finance/Treasurer of the Town of Culpeper at 400 S. Main Street, Culpeper, VA 22701, or by email at hkartel@culpeperva.gov.

Note 12. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

All full-time, salaried permanent employees of the Town are automatically covered by the CRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

In addition to Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the member's paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Town were \$71,453 and \$74,481 for the years ended June 30, 2025 and 2024, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2025, the Town reported a liability of \$596,349 for its proportionate share of the net GLI OPEB Liability. The net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .05344% as compared to 0.05423% at June 30, 2023.

For the year ended June 30, 2025, the Town employees recognized GLI OPEB expense of \$22,033. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,058	\$ (14,567)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(50,266)
Change in assumptions	3,399	(29,554)
Changes in proportionate share	33,974	(13,507)
Employer contributions subsequent to the measurement date	71,453	-
Total	\$ 202,884	\$ (107,894)

The \$71,453 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2026	\$ (19,106)
2027	16,694
2028	9,504
2029	8,611
2030	7,834
Total	\$ 23,537

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50%-5.35%
Locality – hazardous duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest 10 Locality Employers - General Employees

Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally, males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers-Hazardous Duty Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the GLI represents the program’s total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net GLI OPEB liability	\$ 1,115,922

Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41%
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The total GLI OPEB Liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s 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:

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

* Expected arithmetic nominal return	7.07%
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TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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. Through the fiscal year ending June 30, 2024, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

H. Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the Town's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town	\$ 927,400	\$ 596,349	\$ 328,903

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Summary of Pension and Other Postemployment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 1,561,223	\$ 612,541	\$ 2,173,764
Employer contributions subsequent to the measurement date	1,249,114	490,085	1,739,199
Total deferred outflow of resources, Pensions	\$ 2,810,337	\$ 1,102,626	\$ 3,912,963
Deferred outflows of resources - OPEB			
Difference between expected and actual experience - VRS - GLI	\$ 66,790	\$ 27,268	\$ 94,058
VRS - GLI	2,440	959	3,399
Local Plan	106,969	41,599	148,568
Changes in proportion - VRS - GLI	24,393	9,581	33,974
Employer contributions subsequent to the measurement date			
Local Plan	75,592	29,397	104,989
VRS - GLI	51,303	20,150	71,453
Total deferred outflow of resources, OPEB	\$ 327,487	\$ 128,954	\$ 456,441
Total deferred outflows of resources	\$ 3,137,824	\$ 1,231,580	\$ 4,369,404
Net pension liability - VRS	\$ 4,086,860	\$ 1,603,468	\$ 5,690,328
Total OPEB liability			
Local Plan	\$ 1,243,728	\$ 483,670	\$ 1,727,398
VRS - GLI	428,179	168,170	596,349
Total OPEB liability	\$ 1,671,907	\$ 651,840	\$ 2,323,747
Deferred inflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 25,979	\$ 10,192	\$ 36,171
Net difference between projected and actual earnings on pension plan investments	955,080	374,723	1,329,803
Total deferred inflows of resources, Pensions	\$ 981,059	\$ 384,915	\$ 1,365,974
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local Plan	\$ 350,757	\$ 136,407	\$ 487,164
VRS - GLI	10,459	4,108	14,567
Net difference between projected and actual earnings on pension plan investments - VRS GLI	36,091	14,175	50,266
Changes of assumptions			
Local Plan	187,307	72,841	260,148
VRS - GLI	21,220	8,334	29,554
Change in proportionate share - VRS - GLI	9,698	3,809	13,507
Total deferred inflows of resources, OPEB	\$ 615,532	\$ 239,674	\$ 855,206
Total deferred inflows of resources	\$ 1,596,591	\$ 624,589	\$ 2,221,180
Pension expense	\$ 955,812	\$ 375,009	\$ 1,330,821
OPEB expense			
Local Plan	\$ 33,822	\$ 13,153	\$ 46,975
VRS - GLI	15,820	6,213	22,033
Total OPEB expense	\$ 49,642	\$ 19,366	\$ 69,008

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Fund Balance

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The constraints placed on the general fund balance and other governmental funds balance are presented below:

	General Fund	Other Governmental Funds
Restricted for:		
Public safety - asset seizure funds	\$ 69,361	\$ -
General government administration	320,537	-
Parks and Rec	44,746	-
Cemetery perpetual care	-	370,097
	<u>434,644</u>	<u>370,097</u>
Total restricted	434,644	370,097
Nonspendable:		
Prepaid items	278,804	-
Corpus of a permanent fund	-	1,372,372
	<u>278,804</u>	<u>1,372,372</u>
Total nonspendable	278,804	1,372,372
Committed:		
Future Capital Improvements	2,086,908	-
	<u>2,086,908</u>	<u>-</u>
Total nonspendable	2,086,908	-
Assigned for:		
General government administration	58,376	-
Public safety	119,964	-
Public works	936,737	-
Parks, recreation and cultural	3,376,236	-
Community development	329,404	-
Capital outlay	1,059,661	-
Budget stabilization fund	4,906,000	-
	<u>10,786,378</u>	<u>-</u>
Total assigned	10,786,378	-
Unassigned	<u>16,657,243</u>	<u>-</u>
Total fund balance	<u><u>\$ 30,243,977</u></u>	<u><u>\$ 1,742,469</u></u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Service Contracts

The Town is a member of the Virginia Municipal Electric Association (VMEA), which is a nonprofit organization created to purchase electricity from Dominion Virginia Power (Dominion) for resale to its members. A new contract was entered into in 2011, which extends VMEA's purchase agreement with Dominion to 2030. Purchases of electricity through VMEA totaled \$10,000,195 for the year ended June 30, 2025. Of these purchases, \$1,182,594 is included in accounts payable as of June 30, 2025. The Town's contract provides for periodic true-ups based on actual costs incurred by Dominion. Such true-ups could result in an increase or reduction of expenses previously recognized. The Town's policy is to recognize the true-up when known due to a lack of information to estimate such an amount. The true-up calculation generally is proposed approximately six months after the calendar year end. During fiscal year 2025, expenses were increased by approximately \$251,099 as part of the annual true-up based on actual costs. In July 2025, VMEA and certain of its member utilities entered into a Battery Energy Storage System Output Agreement with a 3rd party to install and operate 2 battery storage facilities which are intended to reduce VMEA peak demands, thereby lowering monthly power bills.

Note 16. Risk Management

The Town's risk management program is primarily addressed via insurance coverage with VACORP, a member-owned insurance risk pool.

Workers' Compensation

Premiums are based on covered payroll, job rates and claims experience. Total premiums for the year ended June 30, 2025 were approximately \$178,000.

Line of Duty Act Coverage

The Town purchases insurance coverage for Line of Duty Act (LODA) claims approved by the State for career and volunteer law enforcement officers who are injured or killed while performing their duties. Total premiums for the year ended June 30, 2025 were approximately \$48,400.

General Liability and Other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident, cyber security, and automobile liability from VACORP. The Town's property and contents are insured up to a limit of approximately \$89 million. The Town maintains an \$8,000,000 excess umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$10,000,000 limit for each, are provided through a policy with the VACORP. Total premiums for 2025 were approximately \$161,000.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies

Grant Programs

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Town management believes disallowances, if any, would not be material to the financial position of the Town.

Note 18. Abatements

The Town, through the Authority, provides partnerships for Economic Development and Job Training and Culpeper Technology Zone grants to local developers who meet specific thresholds for investments in capital equipment and job growth within the Town. Such grants are in accordance with Virginia Code Section 15.2-4905. Eligible projects are expected to improve economic viability and the appearance of properties in and around the Town, in addition to providing additional tax revenue and employment that will benefit the community. Payments are based on taxes collected during the fiscal year to fund the grants. Grants of \$57,730 were provided during the year ended June 30, 2025, representing 50% of the taxes generated from these projects.

Note 19. Change in Accounting Principle

In fiscal year 2025, the Town implemented GASB Statement No. 101, *Compensated Absences*, as a change in accounting principle. Statement No. 101 requires recognizing a liability for compensated absences, including certain amounts not previously accrued, and related salary-based payments. The standard has been applied retroactively, resulting in a restatement of beginning net position as shown below.

	Business-Type Activities - Enterprise Funds				
	Governmental Activities	Water	Wastewater	Electric	Total Business-Type Activities
Net position, as previously reported	\$ 81,879,794	\$ 38,420,942	\$ 33,597,012	\$ 11,154,915	\$ 83,172,869
Implementation of GASB 101	(1,023,827)	(86,600)	(135,153)	(156,656)	(378,409)
Net position, as restated	\$ 80,855,967	\$ 38,334,342	\$ 33,461,859	\$ 10,998,259	\$ 82,794,460

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 20. Pending GASB Statements

At June 30, 2025, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 will be effective for the Town beginning with its year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96., *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement will be effective for the Town beginning with its year ending June 30, 2026.

Management has not determined the effect these new Statements may have on prospective financial statements.

Note 21. Subsequent Event

In August 2025, the Town entered into a Water Service Agreement (WSA) with a data center developer to provide at least 2 million gallons per day (MGD) of effluent from the Town WPCF to a reclaimed water system for the benefit of the data center parcels. The developer will be responsible for funding all design and construction costs of the reclaimed water system infrastructure and at completion the system will become Town owned assets. The WSA has a 20-year term and may automatically extend on a yearly basis.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service cost	\$ 945,867	\$ 972,070	\$ 1,020,476	\$ 989,413	\$ 986,499	\$ 1,131,394	\$ 1,153,554	\$ 1,241,601	\$ 1,400,360	\$ 1,530,157
Interest	2,338,187	2,447,694	2,559,097	2,661,480	2,777,386	2,825,254	3,045,421	3,302,956	3,341,672	3,582,534
Difference between expected and actual experience	27,383	(111,475)	74,729	(55,224)	(855,083)	1,338,742	(1,465,655)	(1,586,328)	1,584,837	2,466,652
Changes of assumptions	-	-	(403,442)	-	1,281,029	-	1,934,363	-	-	-
Benefit payments, including refunds of employee contributions	(1,750,779)	(1,743,316)	(1,690,336)	(1,886,164)	(1,993,575)	(2,028,740)	(2,038,564)	(2,149,342)	(2,937,502)	(2,839,165)
Net change in total pension liability	1,560,658	1,564,973	1,560,524	1,709,505	2,196,256	3,266,650	2,629,119	808,887	3,389,367	4,740,178
Total pension liability - beginning	34,278,064	35,838,722	37,403,695	38,964,219	40,673,724	42,869,980	46,136,630	48,765,749	49,574,636	52,964,003
Total pension liability - ending (a)	\$ 35,838,722	\$ 37,403,695	\$ 38,964,219	\$ 40,673,724	\$ 42,869,980	\$ 46,136,630	\$ 48,765,749	\$ 49,574,636	\$ 52,964,003	\$ 57,704,181
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113	\$ 1,108,409	\$ 1,216,274	\$ 1,425,001	\$ 1,516,931
Contributions - employee	429,532	454,467	469,814	459,863	518,066	502,753	493,420	541,125	600,398	642,251
Net investment income	1,292,934	512,613	3,609,673	2,427,272	2,321,265	701,307	10,083,149	(53,783)	2,957,749	4,659,494
Benefit payments, including refunds of employee contributions	(1,750,779)	(1,743,316)	(1,690,336)	(1,886,164)	(1,993,575)	(2,028,740)	(2,038,564)	(2,149,342)	(2,937,502)	(2,839,165)
Administrative expense	(17,631)	(18,024)	(20,645)	(20,933)	(22,868)	(23,755)	(24,834)	(28,755)	(29,630)	(30,637)
Other	(272)	(216)	(3,222)	(2,168)	(1,466)	(832)	955	1,082	1,190	739
Net change in plan fiduciary net position	1,058,216	282,868	3,354,464	1,958,770	1,798,077	171,846	9,622,535	(473,399)	2,017,206	3,949,613
Plan fiduciary net position - beginning	28,273,657	29,331,873	29,614,741	32,969,205	34,927,975	36,726,052	36,897,898	46,520,433	46,047,034	48,064,240
Plan fiduciary net position - ending (b)	\$ 29,331,873	\$ 29,614,741	\$ 32,969,205	\$ 34,927,975	\$ 36,726,052	\$ 36,897,898	\$ 46,520,433	\$ 46,047,034	\$ 48,064,240	\$ 52,013,853
The Town's net pension liability - ending (a) - (b)	\$ 6,506,849	\$ 7,788,954	\$ 5,995,014	\$ 5,745,749	\$ 6,143,928	\$ 9,238,732	\$ 2,245,316	\$ 3,527,602	\$ 4,899,763	\$ 5,690,328
Plan fiduciary net position as a percentage of the total pension liability	81.84%	79.18%	84.61%	85.87%	85.67%	79.98%	95.40%	92.88%	90.75%	90.14%
Covered payroll	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787
The Town's net pension liability as a percentage of covered payroll	75.36%	85.34%	63.48%	60.77%	61.24%	87.94%	21.74%	30.90%	38.36%	41.47%

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution (CRC)	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113	\$ 1,108,409	\$ 1,216,274	\$ 1,425,001	\$ 1,516,931	\$ 1,739,199
Contributions in relation to the CRC	1,077,344	989,180	980,900	976,655	1,021,113	1,108,409	1,216,274	1,425,001	1,516,931	1,739,199
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787	\$ 15,202,785
Contributions as a percentage of covered payroll	11.80%	10.47%	10.38%	9.73%	9.72%	10.73%	10.65%	11.16%	11.05%	11.44%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2025

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a Modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN

	Fiscal Year June 30,								
	2017	2018	2019	2020	2021	2022	2023	2024	
Total OPEB Liability									
Service cost	\$ 85,789	\$ 88,792	\$ 85,767	\$ 84,393	\$ 120,056	\$ 121,517	\$ 89,914	\$ 78,328	
Interest	55,992	59,997	67,535	61,299	55,742	42,614	65,143	64,234	
Effect of economic/demographic gains or losses	-	-	(39,303)	370,322	(634,555)	-	(105,092)	-	
Changes of assumptions	-	(66,086)	(62,153)	297,138	(22,741)	(205,480)	(40,122)	(52,260)	
Benefit payments, including refunds of employee contributions	(30,314)	(30,313)	(44,143)	(67,632)	(88,150)	(50,341)	(69,496)	(87,963)	
Net change in total OPEB liability	111,467	52,390	7,703	745,520	(569,648)	(91,690)	(59,653)	2,339	
Total OPEB liability - beginning	1,528,970	1,640,437	1,692,827	1,700,530	2,446,050	1,876,402	1,784,712	1,725,059	
Total OPEB liability - ending (a)	<u>\$ 1,640,437</u>	<u>\$ 1,692,827</u>	<u>\$ 1,700,530</u>	<u>\$ 2,446,050</u>	<u>\$ 1,876,402</u>	<u>\$ 1,784,712</u>	<u>\$ 1,725,059</u>	<u>\$ 1,727,398</u>	
Covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787	
The Town's Total OPEB liability as a percentage of covered-employee payroll	17.37%	17.91%	16.95%	23.28%	18.17%	15.63%	13.50%	12.59%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.
- (2) There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – LOCAL PLAN

	Fiscal Year June 30,									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Contractually required contribution (CRC)	\$ 44,301	\$ 30,314	\$ 30,313	\$ 67,632	\$ 88,150	\$ 50,341	\$ 69,496	\$ 87,963	\$ 104,989	
Contributions in relation to the CRC	44,301	30,314	30,313	67,632	88,150	50,341	69,496	87,963	104,989	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787	\$ 15,202,785	
Contributions as a percentage of covered-employee payroll	0.47%	0.32%	0.30%	0.64%	0.85%	0.44%	0.54%	0.64%	0.69%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.
- (2) There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER’S SHARE OF NET OPEB LIABILITY – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,							
	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net GLI OPEB liability	0.05127%	0.04973%	0.05085%	0.05106%	0.05003%	0.05248%	0.05423%	0.05344%
Employer's proportionate share of the net GLI OPEB liability	\$ 772,000	\$ 755,000	\$ 827,465	\$ 852,108	\$ 582,485	\$ 631,910	\$ 650,388	\$ 596,349
Employer's covered payroll	9,444,008	9,454,182	10,033,310	10,506,032	10,329,112	11,415,967	12,773,881	13,722,787
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	7.99%	8.25%	8.11%	5.64%	5.54%	5.09%	4.35%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%	69.30%	73.41%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Contractually required contribution (CRC)	\$ 43,912	\$ 49,173	\$ 49,555	\$ 51,834	\$ 54,595	\$ 55,777	\$ 61,646	\$ 68,979	\$ 74,481	\$ 71,453	
Contributions in relation to the CRC	43,912	49,173	49,555	51,834	54,595	55,777	61,646	68,979	74,481	71,453	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787	\$ 15,202,785	
Contributions as a percentage of covered payroll	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%	0.54%	0.47%	

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2025

Note 1. Retiree Healthcare Plan

Changes of Benefit Terms

There have been no actuarially material changes to the Retiree Healthcare Plan benefit provisions since the prior actuarial valuation.

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2024	3.93%
------	-------

Note 2. Group Life Insurance Program

Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

Changes of Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2025**

Note 2. Group Life Insurance Program (Continued)

Changes of Assumptions (Continued)

Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rated to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents, restricted (Note 2)	\$ 370,097	\$ 1,371,322	\$ 1,741,419
Receivables, restricted	-	1,050	1,050
Total assets	\$ 370,097	\$ 1,372,372	\$ 1,742,469
FUND BALANCES			
Nonspendable	\$ -	\$ 1,372,372	\$ 1,372,372
Restricted	370,097	-	370,097
Total fund balances	\$ 370,097	\$ 1,372,372	\$ 1,742,469

TOWN OF CULPEPER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
Revenues:			
Use of money and property	\$ 74,115	\$ -	\$ 74,115
Other income	-	68,150	68,150
	<hr/>	<hr/>	<hr/>
Total revenues	74,115	68,150	142,265
	<hr/>	<hr/>	<hr/>
Net change in fund balances	74,115	68,150	142,265
	<hr/>	<hr/>	<hr/>
Fund balances, beginning	295,982	1,304,222	1,600,204
	<hr/>	<hr/>	<hr/>
Fund balances, ending	\$ 370,097	\$ 1,372,372	\$ 1,742,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 1,721,800	\$ 1,721,800	\$ 1,744,149	\$ 22,349
Personal property taxes	2,000,100	2,000,100	1,894,342	(105,758)
Machinery and tools tax	250,000	260,847	276,147	15,300
Public service real estate and property taxes	30,900	30,900	34,969	4,069
Total general property taxes	4,002,800	4,013,647	3,949,607	(64,040)
Other local taxes:				
Local sales and use taxes	2,650,000	2,650,000	3,059,465	409,465
Business license taxes	1,367,500	1,367,500	1,401,857	34,357
Franchise license tax	80,000	80,000	79,513	(487)
Bank stock taxes	500,000	500,000	531,880	31,880
Cigarette taxes	170,000	170,000	159,333	(10,667)
Hotel and motel room tax	825,000	825,000	752,825	(72,175)
Meals tax	6,300,000	6,300,000	6,224,312	(75,688)
Admissions tax	37,000	37,000	52,783	15,783
Local consumption taxes	65,000	65,000	73,636	8,636
Total other local taxes	11,994,500	11,994,500	12,335,604	341,104
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	155,000	155,000	256,092	101,092
Fines and forfeitures				
	145,500	145,500	214,859	69,359
Use of money and property:				
Net revenue from use of money	600,000	600,000	1,750,565	1,150,565
Revenue from use of property	362,776	362,776	406,642	43,866
Total revenue from use of money and property	962,776	962,776	2,157,207	1,194,431
Charges for services:				
Sanitation equipment replacement fee	175,000	175,000	225,822	50,822
Trash disposal fee	60,000	60,000	72,424	12,424
Crosswalk traffic control	15,000	15,000	17,100	2,100
Cable Media Network PEG fees	7,000	7,000	4,282	(2,718)
Burial permits	60,000	60,000	69,900	9,900
FOIA request fees	2,000	2,000	1,556	(444)
Other	-	-	3,228	3,228
Total charges for services	319,000	319,000	394,312	75,312
Miscellaneous				
	165,850	228,632	469,341	240,709
Total revenue from local sources	17,745,426	17,819,055	19,777,022	1,957,967

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Recovered costs:				
County of Culpeper:				
Cable Media Network contributions	\$ 149,103	\$ 149,103	\$ 146,404	\$ (2,699)
Time and material charges	-	-	8,078	8,078
Water Fund:				
Utility services	996,533	996,533	996,533	-
Motor pool	10,000	10,000	10,000	-
Mow, mulch and trim	6,000	6,000	6,000	-
Wastewater Fund:				
Utility services	996,533	996,533	996,533	-
Motor pool	31,000	31,000	31,000	-
Mow, mulch and trim	15,000	15,000	15,000	-
Light and Power Fund:				
Utility services	1,650,147	1,650,147	1,650,147	-
Motor pool	51,000	51,000	51,000	-
Mow, mulch and trim	7,500	7,500	7,500	-
Total recovered costs	3,912,816	3,912,816	3,918,195	5,379
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	224,104	224,104	224,104	-
Rolling stock tax	5,000	5,000	5,394	394
Total non-categorical aid	229,104	229,104	229,498	394
Categorical aid:				
Litter control	10,000	10,000	9,230	(770)
Law enforcement grants	310,000	710,468	406,730	(303,738)
Fire program	100,000	100,000	102,816	2,816
Street and highway maintenance	2,600,000	2,600,000	2,783,638	183,638
Tourism grant	-	135,296	68,019	(67,277)
Other	21,500	21,500	22,497	997
Total categorical aid	3,041,500	3,577,264	3,392,930	(184,334)
Total intergovernmental revenue from the Commonwealth	3,270,604	3,806,368	3,622,428	(183,940)
Revenue from the Federal government:				
Categorical aid:				
Department of Forestry	-	-	20,000	20,000
ARPA - Tourism Grant	-	-	4,046	4,046
Department of Justice (PD)	-	-	3,178	3,178
Department of Transportation	-	-	18,860	18,860
Total categorical aid	-	-	46,084	46,084
Total intergovernmental revenue from the Federal government	-	-	46,084	46,084
Total intergovernmental revenue	3,270,604	3,806,368	3,668,512	(137,856)
Total General Fund	\$ 24,928,846	\$ 25,538,239	\$ 27,363,729	\$ 1,825,490

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personnel	\$ 102,000	\$ 102,000	\$ 105,468	\$ 3,468
Fringe benefits	28,814	28,814	55,897	27,083
Other charges	46,050	74,570	44,019	(30,551)
Total Town Council	176,864	205,384	205,384	-
Total legislative	176,864	205,384	205,384	-
General and financial:				
Town Manager's office:				
Personnel	115,574	115,574	111,439	(4,135)
Fringe benefits	51,190	51,190	51,134	(56)
Other charges	7,650	7,650	6,483	(1,167)
Total Town manager's office	174,414	174,414	169,056	(5,358)
Town clerk's office:				
Personnel	256,137	256,137	264,419	8,282
Fringe benefits	101,553	101,553	102,403	850
Other charges	23,200	25,408	16,737	(8,671)
Contractual services	1,300	1,300	1,078	(222)
Total Town clerk's office	382,190	384,398	384,637	239
Treasurer's office:				
Personnel	1,231,550	1,231,550	1,171,250	(60,300)
Fringe benefits	443,604	443,604	425,643	(17,961)
Other charges	225,600	225,600	191,540	(34,060)
Contractual services	5,000	5,000	1,991	(3,009)
Leased equipment	2,500	2,500	19,626	17,126
Total treasurer's office	1,908,254	1,908,254	1,810,050	(98,204)
Human resources office:				
Personnel	264,483	264,483	268,604	4,121
Fringe benefits	101,298	101,298	101,716	418
Other charges	94,300	94,300	59,528	(34,772)
Total human resources office	460,081	460,081	429,848	(30,233)
Information Technology:				
Personnel	853,363	853,363	857,574	4,211
Fringe benefits	262,304	262,304	260,742	(1,562)
Leased equipment and SBITA	-	-	123,369	123,369
Contractual services	792,267	799,032	555,118	(243,914)
Telecommunications	319,887	319,887	299,559	(20,328)
Other charges	265,900	265,900	235,446	(30,454)
Total information technology	2,493,721	2,500,486	2,331,808	(168,678)
Motor pool:				
Personnel	313,603	313,603	315,908	2,305
Fringe benefits	122,476	122,476	120,388	(2,088)
Other charges	22,300	23,909	23,692	(217)
Total motor pool	458,379	459,988	459,988	-
General and financial administration:				
Legal	160,000	129,272	91,286	(37,986)
Independent auditor and actuary	73,200	82,890	64,690	(18,200)
Insurance and bonding	102,005	102,005	101,601	(404)
Total general and financial administration	335,205	314,167	257,577	(56,590)
Total general government administration	6,389,108	6,407,172	6,048,348	(358,824)

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Public safety:				
Police department:				
Personnel	\$ 5,117,890	\$ 5,117,890	\$ 5,121,253	\$ 3,363
Fringe benefits	1,774,723	1,774,723	1,864,141	89,418
Leased equipment and SBITA	-	-	686,464	686,464
Vehicle operation	729,464	1,109,464	602,514	(506,950)
Drug fund	15,000	15,000	7,517	(7,483)
E911 center	806,030	806,030	806,030	-
Other charges	375,497	416,870	274,378	(142,492)
Total public safety	8,818,604	9,239,977	9,362,297	122,320
Public works:				
General engineering:				
Personnel	168,576	168,576	156,284	(12,292)
Fringe benefits	69,764	69,764	71,149	1,385
Other charges	16,800	16,800	10,488	(6,312)
Total general engineering	255,140	255,140	237,921	(17,219)
Highways, streets, bridges and sidewalks:				
Personnel	1,153,792	1,153,792	1,160,815	7,023
Fringe benefits	433,691	433,691	436,417	2,726
Other charges	464,000	533,226	694,941	161,715
Repairs and maintenance	1,526,000	2,087,043	1,424,396	(662,647)
Contractual services	25,000	25,000	8,953	(16,047)
Utilities	190,000	190,000	183,413	(6,587)
Snow and ice - personnel	10,000	56,026	49,534	(6,492)
Snow and ice - fringe benefits	-	-	3,775	3,775
Snow and ice removal	75,700	95,700	98,417	2,717
Traffic engineering - personnel	143,772	143,772	149,318	5,546
Traffic engineering - fringe benefits	66,478	66,478	65,470	(1,008)
Traffic engineering	108,025	170,807	147,680	(23,127)
Total highways, streets, bridges, and sidewalks	4,196,458	4,955,535	4,423,129	(532,406)
Refuse collection:				
Personnel	212,469	212,469	203,859	(8,610)
Fringe benefits	94,207	94,207	68,406	(25,801)
Vehicle operation	94,200	397,150	444,931	47,781
Disposal costs	122,000	122,000	120,225	(1,775)
Other charges	7,000	28,195	10,481	(17,714)
Total refuse collection	529,876	854,021	847,902	(6,119)
General properties:				
Personnel	311,944	311,944	325,759	13,815
Fringe benefits	121,761	121,761	126,732	4,971
Contractual services	74,000	74,000	80,978	6,978
Repairs and maintenance	134,500	134,500	148,456	13,956
Utilities	148,500	148,500	131,833	(16,667)
Other charges	33,750	68,750	43,094	(25,656)
Total general properties	824,455	859,455	856,852	(2,603)
Total public works	5,805,929	6,924,151	6,365,804	(558,347)
Parks, recreation and cultural:				
Parks and recreation:				
Personnel	258,861	258,861	260,260	1,399
Fringe benefits	96,876	96,876	93,288	(3,588)
Other charges	98,850	119,100	82,035	(37,065)
Joint pool project	58,528	4,894,628	1,467,364	(3,427,264)
Total parks and recreation	513,115	5,369,465	1,902,947	(3,466,518)
Cultural:				
Culpeper Media Network - personnel	150,581	150,581	139,874	(10,707)
Culpeper Media Network - fringe benefits	63,236	63,236	57,375	(5,861)
Culpeper Media Network	89,389	96,889	72,040	(24,849)
Total cultural	303,206	310,706	269,289	(41,417)

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Parks, recreation and cultural: (continued)				
Cemetery:				
Personnel	\$ 62,778	\$ 62,778	\$ 64,003	\$ 1,225
Fringe benefits	22,417	22,417	24,234	1,817
Other charges	32,550	32,550	12,935	(19,615)
Contractual services	7,000	7,000	-	(7,000)
Total cemetery	124,745	124,745	101,172	(23,573)
Total parks, recreation and cultural	941,066	5,804,916	2,273,408	(3,531,508)
Community development:				
Planning and zoning:				
Personnel	820,457	820,457	739,427	(81,030)
Fringe benefits	300,392	300,392	264,626	(35,766)
Other charges	70,071	81,812	46,323	(35,489)
Total planning and zoning	1,190,920	1,202,661	1,050,376	(152,285)
Visitors center:				
Personnel	69,263	69,263	67,383	(1,880)
Fringe benefits	5,373	5,373	5,196	(177)
Other charges	27,300	39,600	32,508	(7,092)
Total visitors center	101,936	114,236	105,087	(9,149)
Tourism:				
Personnel	399,652	399,652	408,662	9,010
Fringe benefits	135,467	135,467	136,648	1,181
Advertising, promotion, and programming	229,300	535,579	299,102	(236,477)
Other charges	82,114	76,564	123,506	46,942
Total tourism	846,533	1,147,262	967,918	(179,344)
Economic development:				
Virginia Main Street program	200,000	200,000	200,000	-
Other charges	57,777	78,625	78,625	-
Total economic development	257,777	278,625	278,625	-
Community support:				
Volunteer fire department	195,000	197,816	197,816	-
Rescue services	25,000	25,000	25,000	-
Virginia Regional Transit	162,741	162,741	162,741	-
Total community support	382,741	385,557	385,557	-
Total community development	2,779,907	3,128,341	2,787,563	(340,778)
Parking authority:				
Repairs and maintenance	80,000	150,000	123,481	(26,519)
Other charges	11,350	11,350	9,868	(1,482)
Total parking authority	91,350	161,350	133,349	(28,001)
Capital projects	20,000	3,188,770	2,117,843	(1,070,927)
Debt service:				
Principal	1,298,000	1,298,000	1,578,970	280,970
Interest	133,388	133,388	136,970	3,582
Total debt service	1,431,388	1,431,388	1,715,940	284,552
Total General Fund	\$ 26,277,352	\$ 36,286,065	\$ 30,804,552	\$ (5,481,513)

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT

June 30, 2025

	Industrial Development Authority
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 74,447
Cash and cash equivalents, restricted	<u>53,189</u>
Total assets	<u><u>\$ 127,636</u></u>
LIABILITIES	
Debt service reserve	<u>\$ 47,630</u>
Total liabilities	<u>47,630</u>
FUND BALANCE	
Restricted	53,189
Unassigned	<u>26,817</u>
Total fund balance	<u>80,006</u>
Total liabilities and fund balance	<u><u>\$ 127,636</u></u>

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2025**

	Industrial Development Authority
Revenues:	
Intergovernmental	\$ 57,730
Revenue from use of property	<u>1,578</u>
Total revenues	<u>59,308</u>
Expenditures:	
Community development	<u>58,895</u>
Total expenditures	<u>58,895</u>
Expenditures under revenues	<u>413</u>
Net change in fund balance	413
Fund balance, beginning	<u>79,593</u>
Fund balance, ending	<u><u>\$ 80,006</u></u>

STATISTICAL SECTION

TOWN OF CULPEPER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's annual comprehensive financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1 – 4
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	5 – 8
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	9 – 12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	13 – 15
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	16 – 17

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial report for the relevant year.

TOWN OF CULPEPER, VIRGINIA

Table 1

NET POSITION / ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2021	2022 ⁽¹⁾	2023	2024	2025 ⁽¹⁾
Governmental activities:										
Net investment in capital assets	\$ 43,759,691	\$ 41,387,460	\$ 40,487,615	\$ 40,546,104	\$ 41,338,919	\$ 43,829,900	\$ 48,485,616	\$ 49,465,248	\$ 53,215,487	\$ 54,826,014
Restricted	1,739,191	1,811,790	1,296,274	1,280,286	1,168,472	1,551,372	1,645,740	1,754,984	1,953,660	2,132,367
Unrestricted	1,364,636	4,297,760	8,044,105	8,590,118	9,045,773	9,649,391	16,420,220	24,521,373	26,710,647	24,023,507
Total governmental activities net position	\$ 46,863,518	\$ 47,497,010	\$ 49,827,994	\$ 50,416,508	\$ 51,553,164	\$ 55,030,663	\$ 66,551,576	\$ 75,741,605	\$ 81,879,794	\$ 80,981,888
Business-type activities:										
Net investment in capital assets	\$ 27,865,064	\$ 32,641,915	\$ 46,875,816	\$ 52,906,194	\$ 52,243,951	\$ 51,984,648	\$ 53,774,016	\$ 53,481,200	\$ 57,682,479	\$ 59,411,526
Unrestricted	23,628,617	20,951,828	18,096,222	22,028,646	23,999,664	24,581,871	23,306,151	23,394,061	25,490,390	28,161,108
Total business-type activities net position	\$ 51,493,681	\$ 53,593,743	\$ 64,972,038	\$ 74,934,840	\$ 76,243,615	\$ 76,566,519	\$ 77,080,167	\$ 76,875,261	\$ 83,172,869	\$ 87,572,634
Primary government										
Net investment in capital assets	\$ 71,624,755	\$ 74,029,375	\$ 87,363,431	\$ 93,452,298	\$ 93,582,870	\$ 95,814,548	\$ 102,259,632	\$ 102,946,448	\$ 110,897,966	\$ 114,237,540
Restricted	1,739,191	1,811,790	1,296,274	1,280,286	1,168,472	1,551,372	1,645,740	1,754,984	1,953,660	2,132,367
Unrestricted	24,993,253	25,249,588	26,140,327	30,618,764	33,045,437	34,231,262	39,726,371	47,915,434	52,201,037	52,184,615
Total primary government net position	\$ 98,357,199	\$ 101,090,753	\$ 114,800,032	\$ 125,351,348	\$ 127,796,779	\$ 131,597,182	\$ 143,631,743	\$ 152,616,866	\$ 165,052,663	\$ 168,554,522

Note:

(1) These totals are as previously reported. A prior period adjustment was required which subsequently modified these amounts.

TOWN OF CULPEPER, VIRGINIA

CHANGES IN NET POSITION / ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 1,782,797	\$ 2,118,903	\$ 1,813,136	\$ 2,039,237	\$ 2,024,609	\$ 2,054,689	\$ 2,106,575	\$ 1,976,327	\$ 2,090,647	\$2,314,306
Public safety	4,826,442	5,392,894	5,279,682	5,942,851	6,073,416	6,000,711	6,767,415	7,425,757	8,032,407	8,925,642
Public works	4,677,492	5,381,340	5,378,213	6,310,254	6,487,486	6,257,085	6,786,040	6,269,470	6,599,448	7,649,709
Parks, recreation and cultural	734,657	727,557	777,456	775,021	638,436	667,456	672,197	712,143	956,199	2,245,343
Community development	1,404,450	1,443,117	1,688,724	1,613,569	1,712,175	3,436,651	2,796,267	2,110,846	2,467,671	2,814,937
Parking Authority	-	-	-	-	-	10,880	79,515	64,333	20,640	133,349
Interest	557,705	323,497	390,139	365,932	357,229	232,514	242,102	198,354	142,570	101,470
Total governmental activities	13,983,543	15,387,308	15,327,350	17,046,864	17,293,351	18,659,986	19,450,111	18,757,230	20,309,582	24,184,756
Business-type activities:										
Water	3,880,069	4,074,774	5,256,395	4,257,892	5,783,979	5,469,453	5,576,830	5,524,431	6,009,378	5,725,574
Wastewater	5,533,867	5,345,589	5,055,057	5,282,858	5,169,641	5,909,741	5,545,772	6,033,149	6,339,488	6,958,277
Electric	10,710,274	10,939,680	11,253,585	11,218,357	11,748,581	10,985,261	12,579,151	14,706,215	15,297,165	15,429,695
Total business-type activities expense	20,124,210	20,360,043	21,565,037	20,759,107	22,702,201	22,364,455	23,701,753	26,263,795	27,646,031	28,113,546
Total primary government expenses	34,107,753	35,747,351	36,892,387	37,805,971	39,995,552	41,024,441	43,151,864	45,021,025	47,955,613	52,298,302
Program revenues:										
Governmental activities:										
Charges for services:										
General government	81,443	90,053	117,936	90,556	125,733	177,246	150,921	45,932	48,127	71,556
Public safety	195,365	202,554	188,458	233,361	142,554	116,134	137,294	139,407	116,239	157,108
Public works	432,509	313,983	366,920	318,291	261,885	194,676	220,814	233,827	239,074	298,246
Parks, recreation and cultural	420,362	430,210	461,456	509,131	117,234	168,146	182,500	65,550	65,575	78,067
Community development	37,304	19,471	27,718	32,804	189,639	231,639	223,192	146,671	349,495	260,286
Operating grants and contributions	2,164,513	2,377,321	2,355,582	2,512,485	2,669,291	6,563,585	8,893,126	10,464,478	6,590,635	3,593,496
Capital grants and contributions	294,304	365,253	2,285,924	62,000	1,312,239	938,037	1,347,537	-	-	-
Total primary government program revenues	3,625,800	3,798,845	5,803,994	3,758,628	4,818,575	8,389,463	11,155,384	11,095,865	7,409,145	4,458,759
Business-type activities:										
Charges for services:										
Water	5,125,832	4,455,697	4,562,888	4,510,584	4,410,737	4,163,328	3,853,703	4,031,048	4,299,273	4,650,460
Wastewater	5,662,133	5,768,125	5,952,387	5,940,563	5,914,111	5,543,331	5,047,068	5,000,777	5,371,926	5,596,238
Electric	11,592,942	11,711,465	12,486,678	12,981,235	12,577,012	12,072,822	13,174,024	15,229,309	16,006,355	16,342,542
Operating grants and contributions	24,020	29,542	15,597	16,341	8,812	218,514	228,278	1,409,994	2,986,349	4,924,589
Capital grants and contributions	-	994,049	10,846,873	7,340,842	1,063,423	1,133,623	3,549,027	836,622	4,759,781	707,033
Total business-type activities program revenues	22,404,927	22,958,878	33,864,423	30,789,565	23,974,095	23,131,618	25,852,100	26,507,750	33,423,684	32,220,862
Total primary government program revenues	26,030,727	26,757,723	39,668,417	34,548,193	28,792,670	31,521,081	37,007,484	37,603,615	40,832,829	36,679,621
Net (expense) revenue:										
Governmental activities	(10,357,743)	(11,588,463)	(9,523,356)	(13,288,236)	(12,474,776)	(10,270,523)	(8,294,727)	(7,661,365)	(12,900,437)	(19,725,997)
Business-type activities	2,280,717	2,598,835	12,299,386	10,030,458	1,271,894	767,163	2,150,347	243,955	5,777,653	4,107,316
Total primary government net expense	(8,077,026)	(8,989,628)	2,776,030	(3,257,778)	(11,202,882)	(9,503,360)	(6,144,380)	(7,417,410)	(7,122,784)	(15,618,681)

TOWN OF CULPEPER, VIRGINIA

**Table 2
Page 2**

**CHANGES IN NET POSITION / ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,062,450	\$ 3,334,858	\$ 3,814,435	\$ 3,726,136	\$ 3,789,988	\$ 3,605,747	\$ 4,222,522	\$ 3,803,071	\$ 3,932,229	\$ 3,712,526
Food and beverage tax	3,941,061	4,115,524	4,257,578	4,332,531	4,156,443	4,594,500	5,176,632	5,728,428	6,059,675	6,224,312
Sales taxes	1,363,040	1,555,660	1,641,902	1,585,041	1,623,384	1,847,634	2,125,855	2,205,862	2,656,120	3,059,465
Business license tax	1,043,272	1,072,996	1,115,874	1,010,442	1,028,437	1,023,686	1,159,132	1,400,394	1,389,689	1,401,857
Bank stock tax	338,243	390,832	431,595	483,997	402,494	494,982	510,246	631,658	556,919	531,880
Cigarette tax	167,265	156,238	165,818	247,326	225,899	220,301	207,338	194,250	174,610	159,333
Hotel and motel tax	342,965	449,636	498,669	448,369	358,721	368,494	503,564	764,651	769,667	752,825
Other local taxes	180,285	178,811	188,325	187,320	194,478	159,269	186,385	186,164	184,968	205,932
Intergovernmental revenue	231,707	230,933	285,596	393,438	332,387	275,075	231,475	229,015	229,563	229,498
Use of money and property	36,412	45,754	117,859	345,501	712,349	405,956	(580,986)	670,400	2,034,284	2,231,322
Sale of surplus of real estate	-	-	-	-	-	-	1,150,000	-	-	-
Miscellaneous	331,402	50,778	92,164	512,269	122,307	147,371	156,676	341,958	340,291	537,491
Transfers	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543	710,611	805,477
Total governmental activities	11,631,640	12,193,455	13,217,780	13,876,750	13,611,432	13,815,863	15,721,998	16,851,394	19,038,626	19,851,918
Business-type activities:										
Use of money and property	60,471	127,950	242,858	527,505	701,426	228,589	(963,540)	246,682	1,230,566	1,476,335
Other	8,301	13,212	-	9,219	-	-	-	-	-	-
Insurance recovery	3,474	-	-	-	-	-	-	-	-	-
Transfers	(593,538)	(611,435)	(607,965)	(604,380)	(664,545)	(672,848)	(673,159)	(695,543)	(710,611)	(805,477)
Total business-type activities	(521,292)	(470,273)	(365,107)	(67,656)	36,881	(444,259)	(1,636,699)	(448,861)	519,955	670,858
Total primary government	11,110,348	11,723,182	12,852,673	13,809,094	13,648,313	13,371,604	14,085,299	16,402,533	19,558,581	20,522,776
Changes in net position:										
Governmental activities	1,273,897	604,992	3,694,424	588,514	13,611,432	3,545,340	7,427,271	9,190,029	6,138,189	125,921
Business-type activities	1,759,425	2,128,562	11,934,279	9,962,802	36,881	322,904	513,648	(204,906)	6,297,608	4,778,174
Total primary government	\$ 3,033,322	\$ 2,733,554	\$ 15,628,703	\$ 10,551,316	\$ 13,648,313	\$ 3,868,244	\$ 7,940,919	\$ 8,985,123	\$ 12,435,797	\$ 4,904,095

Note:

(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parenthesis are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020
General Fund:					
Nonspendable	\$ -	\$ 82,081	\$ 125,672	\$ 121,487	\$ 152,026
Restricted	5,399,922	2,957,401	339,124	230,698	41,677
Committed	176,088	-	-	-	-
Assigned	448,203	2,491,370	3,504,418	7,368,961	7,671,403
Unassigned	5,663,645	6,818,439	10,711,025	7,348,636	7,099,139
Total General Fund	\$ 11,687,858	\$ 12,349,291	\$ 14,680,239	\$ 15,069,782	\$ 14,964,245
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ 847,322	\$ 916,872	\$ 965,622
Restricted	822,133	893,371	109,828	132,716	161,173
Total all other governmental funds	\$ 822,133	\$ 893,371	\$ 957,150	\$ 1,049,588	\$ 1,126,795
	2021	2022	2023	2024	2025
General Fund:					
Nonspendable	\$ 154,128	\$ 220,372	\$ 174,473	\$ 209,771	\$ 278,804
Restricted	297,199	256,385	294,447	353,456	434,644
Committed	3,363,922	5,173,214	5,019,253	1,429,104	2,086,908
Assigned	5,341,674	4,828,735	11,637,756	14,159,570	10,786,378
Unassigned	7,725,840	12,446,186	13,085,507	15,801,696	16,657,243
Total General Fund	\$ 16,882,763	\$ 22,924,892	\$ 30,211,436	\$ 31,953,597	\$ 30,243,977
All Other Governmental Funds:					
Nonspendable	\$ 1,063,922	\$ 1,168,222	\$ 1,204,722	\$ 1,304,222	\$ 1,372,372
Restricted	190,521	221,133	255,816	295,982	370,097
Total all other governmental funds	\$ 1,254,443	\$ 1,389,355	\$ 1,460,538	\$ 1,600,204	\$ 1,742,469

TOWN OF CULPEPER, VIRGINIA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 4

	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:										
Taxes	\$ 10,456,591	\$ 11,264,283	\$ 12,022,628	\$ 12,127,817	\$ 11,493,484	\$ 12,501,854	\$ 13,786,185	\$ 15,050,453	\$ 15,753,068	\$ 16,285,211
Permits, privilege fees and regulatory licenses	364,246	297,808	339,691	370,949	396,997	431,300	434,046	156,589	275,343	256,092
Fines and forfeitures	118,324	134,158	113,085	131,494	107,599	144,263	127,949	148,474	215,091	214,859
Use of money and property	212,379	213,887	364,243	597,370	712,349	405,956	(580,986)	670,400	2,034,284	2,231,322
Charges for services	279,147	295,860	378,002	353,125	332,449	312,278	352,726	326,324	328,075	394,312
Miscellaneous	196,889	131,122	251,708	622,890	122,307	147,371	156,676	341,958	340,291	537,491
Recovered costs	2,208,363	2,288,113	2,332,603	2,521,534	2,755,505	3,023,520	3,125,417	3,472,992	3,681,790	3,918,195
Intergovernmental	2,690,525	2,853,111	2,807,406	2,928,570	2,883,692	6,742,609	8,972,727	10,559,547	6,571,867	3,668,512
Total revenues	16,526,464	17,478,342	18,609,366	19,653,749	18,804,382	23,709,151	26,374,740	30,726,737	29,199,809	27,505,994
Expenditures:										
General government administration	3,590,533	3,738,385	3,814,621	4,177,881	4,431,181	4,384,552	5,214,536	5,616,529	5,593,267	6,048,348
Public safety	4,619,766	4,996,798	5,020,076	5,250,136	5,572,833	5,684,021	6,345,823	7,635,518	8,165,471	9,362,297
Public works	3,514,464	3,628,459	3,184,690	4,334,914	4,080,007	4,151,405	4,497,507	4,325,267	4,457,497	6,365,804
Parks, recreation and cultural	730,184	703,051	769,988	752,292	630,020	687,039	679,757	718,898	981,519	2,273,408
Community development	1,414,780	1,417,717	1,570,997	1,545,830	1,699,081	1,722,392	1,934,072	2,149,947	2,464,980	2,787,563
Parking Authority	-	-	-	-	-	10,880	79,515	64,333	20,640	133,349
Pandemic expenses	-	-	-	-	-	1,971,481	1,033,775	-	-	-
Capital projects	884,820	1,284,343	738,983	1,988,530	1,467,841	2,107,280	690,677	2,127,497	4,753,291	2,117,843
Debt service:										
Principal	1,227,548	1,249,267	1,265,780	1,284,036	6,353,535	1,259,818	1,348,868	1,403,739	1,566,125	1,578,970
Interest and fiscal charges	511,519	410,324	457,469	442,579	434,116	289,124	274,397	233,746	186,740	136,970
Bond issuance costs	73,022	-	-	-	44,643	-	-	-	-	-
Total expenditures	16,566,636	17,428,344	16,822,604	19,776,198	24,713,257	22,267,992	22,098,927	24,275,474	28,189,530	30,804,552
Revenues over (under) expenditures	(40,172)	49,998	1,786,762	(122,449)	(5,908,875)	1,441,159	4,275,813	6,451,263	1,010,279	(3,298,558)
Other financing sources (uses):										
Proceeds from borrowing	4,990,000	-	-	-	5,216,000	-	-	-	-	-
Bond premium on issuance	1,115,879	-	-	-	-	-	-	-	-	-
Payments to escrow agent	(6,036,403)	-	-	-	-	-	-	-	-	-
Issuance of lease	-	-	-	-	-	-	78,069	48,909	30,840	34,963
Issuance of subscription liability	-	-	-	-	-	-	-	162,012	130,097	890,763
Sale of surplus real estate	299,932	-	-	-	-	-	1,150,000	-	-	-
Transfers in	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543	710,611	805,477
Total other financing sources, net	962,946	611,435	607,965	604,380	5,880,545	672,848	1,901,228	906,464	871,548	1,731,203
Net change in fund balances	\$ 922,774	\$ 661,433	\$ 2,394,727	\$ 481,931	\$ (28,330)	\$ 2,114,007	\$ 6,177,041	\$ 7,357,727	\$ 1,881,827	\$ (1,567,355)
Debt service as a percentage of noncapital expenditures:	11.90%	10.33%	12.02%	9.43%	29.10%	8.08%	7.79%	7.80%	7.88%	6.90%

TOWN OF CULPEPER, VIRGINIA

Table 5

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

Fiscal Year June 30,	Tax Year	Real Estate	Personal Property Motor Vehicle ⁽²⁾	Personal Property	Machinery and Tools	Public Utilities		Total Assessed Value	Total Direct Tax Rate ⁽¹⁾⁽²⁾
						Real Estate	Personal Property		
2016	2015	\$ 1,639,650,120		\$ 152,345,370	\$ 18,897,435	\$ 35,389,078	\$ 17,350	\$ 1,846,299,353	\$ 1.91
2017	2016	1,664,811,915		163,594,889	23,736,598	34,518,204	12,199	1,886,673,805	1.91
2018	2017	1,789,850,200		168,970,393	22,987,435	40,667,473	110,293	2,022,585,794	1.90
2019	2018	1,802,236,200		177,408,463	27,859,148	38,027,777	86,953	2,045,618,541	1.90
2020	2019	1,957,644,000		182,616,130	29,219,133	43,204,181	77,045	2,212,760,489	1.891
2021	2020	1,984,258,700		193,272,186	28,669,380	41,868,265	-	2,248,068,531	1.891
2022	2021	2,236,107,800		220,123,107	26,952,068	44,547,014	-	2,527,729,989	1.882
2023	2022	2,253,630,200	\$ 219,896,661	64,909,235	25,638,476	38,005,051	-	2,602,079,623	1.882 / 1.632
2024	2023	2,821,311,500	204,291,370	70,602,281	31,510,402	46,800,436	-	3,174,515,989	1.866 / 1.616
2025	2024	2,865,021,800	197,512,024	70,364,138	34,518,350	52,880,635	9,074	3,220,306,021	1.866 / 1.616

Notes: Property is assessed at full market value. Real estate properties are reassessed once every two years.

(1) Per \$100 of assessed value

(2) Starting with the 2022 tax year, Town Council adopted a tax rate of \$0.75/\$100 of assessed value for most classes of vehicles in response to increased assessment values, as opposed to the standard personal property tax rate of \$1.00/\$100 of assessed value.

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 6

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Tax Year	Real Property	Vehicle Personal Property (2)	All Other Personal Property	Machinery and Tools	Public Utilities		Overlapping Rates Culpeper County		Total Direct Tax Rate
						Real Estate	Personal Property	Real Property	Personal Property	
2016	2015	\$ 0.11	N/A	\$ 1.00	\$ 0.80	\$ 0.11	\$ 1.00	\$ 0.73	\$ 3.50	\$ 1.91
2017	2016	0.11	N/A	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2018	2017	0.10	N/A	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2019	2018	0.10	N/A	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2020	2019	0.091	N/A	1.00	0.80	0.091	1.00	0.62	3.50	1.891
2021	2020	0.091	N/A	1.00	0.80	0.091	1.00	0.62	3.50	1.891
2022	2021	0.082	N/A	1.00	0.80	0.082	1.00	0.55	3.50	1.882
2023	2022	0.082	\$ 0.75	1.00	0.80	0.082	0.75	0.55	3.50	1.882 / 1.632
2024	2023	0.066	0.75	1.00	0.80	0.066	0.75	0.46	3.50	1.866 / 1.616
2025	2024	0.066	0.75	1.00	0.80	0.066	0.75	0.47	3.50	1.866 / 1.616

Notes:

(1) All rates are per \$100 of assessed value.

(2) Starting with the 2022 tax year, Town Council adopted a tax rate of \$0.75/\$100 of assessed value for most classes of vehicles in response to increased assessment values, as opposed to the standard personal property tax rate of \$1.00/\$100 of assessed value.

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia,
Culpeper County Treasurer

TOWN OF CULPEPER, VIRGINIA

Table 7

**PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)**

Taxpayer	Type Business	Fiscal Year June 30, 2025		Percentage of Total Town Taxable Assessed Value	Fiscal Year June 30, 2016		Percentage of Total Town Taxable Assessed Value
		2024 Taxable Assessed Value	Rank		2015 Taxable Assessed Value	Rank	
Culpeper 2018, LLC	Shopping Center	\$ 27,344,900	1	0.95%	-	-	-
Society for Worldwide Interbank	Data Center	23,590,600	2	0.82%	\$ 19,638,100	2	1.17%
Dominion Square - Culpeper LLC	Shopping Center	18,992,400	3	0.66%	15,681,000	3	0.94%
Verizon Virginia LLC	Telecommunications	17,619,803	4	0.61%	14,672,623	5	0.88%
Columbia Gas of Virginia Inc.	Gas Utility	17,300,298	5	0.60%	8,597,004	9	0.51%
Frep IV - Center at Culpeper LLC	Shopping Center	14,193,100	6	0.49%	-	-	-
Wal-Mart	Retail/Grocery	13,022,200	7	0.45%	11,213,900	6	0.67%
NVR Inc.	Builder	12,608,100	8	0.44%	-	-	-
TPC Culpeper LC	Data Center	12,483,200	9	0.43%	-	-	-
VA Equities LLC	Shopping Center	11,592,300	10	0.40%	-	-	-
Culpeper Memorial Hospital (1)	Healthcare	-	-	-	26,655,500	1	1.59%
Culpeper Regency LLC	Shopping Center	-	-	-	15,409,500	4	0.92%
Culpeper Marketplace Associates	Shopping Center	-	-	-	9,848,700	7	0.59%
Culpeper Shopping Center	Shopping Center	-	-	-	9,282,400	8	0.55%
Maloney Acquisition Inc.	Manufacturer	-	-	-	8,386,200	10	0.50%
Total		<u>\$ 168,746,901</u>		<u>5.85%</u>	<u>\$ 139,384,927</u>		<u>8.3%</u>
Total Real Property Assessed Value		<u>\$ 2,874,192,135</u>		<u>100.00%</u>	<u>\$ 1,675,039,198</u>		<u>100.00%</u>

Notes:

(1) Now part of UVA Health System and property is tax-exempt

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 8

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Tax Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Write-Offs ⁽¹⁾	Total Collections to Date	
			Amount	Percentage of Levy			Amount	Percentage of Levy
2016	2015	\$ 3,070,128	\$ 2,880,923	93.84%	\$ 165,671	\$ 23,534	\$ 3,046,594	99.23%
2017	2016	3,229,653	3,071,240	95.10%	136,338	22,075	3,207,578	99.32%
2018	2017	3,600,849	3,401,152	94.45%	178,893	20,804	3,580,045	99.42%
2019	2018	3,699,140	3,511,769	94.93%	159,412	27,959	3,671,181	99.24%
2020	2019	3,692,620	3,496,445	94.69%	167,373	28,802	3,663,818	99.22%
2021	2020	3,794,161	3,545,724	93.45%	214,030	-	3,759,754	99.09%
2022	2021	4,029,505	3,703,175	91.90%	278,378	-	3,981,553	98.81%
2023	2022	4,031,595	3,704,956	91.90%	245,399	-	3,950,355	97.98%
2024	2023	4,013,266	3,720,163	92.70%	166,044	-	3,886,207	96.83%
2025	2024	4,017,665	3,743,556	93.18%	-	-	3,743,556	93.18%

Note:

(1) Personal Property write-offs required by the *Code of Virginia* at the end of the fifth calendar year after initially billed. Write-offs are approved each year by Town Council resolution.

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Town Cumulative Personal Income	Debt Per Capita (4)
	General Obligation Bonds (1)	Leases (2)	SBITA (3)	General Obligation Bonds			Capital Leases			
				Water Bonds	Wastewater Bonds	Electric Bonds				
2016	\$ 16,963,068	\$ -	\$ -	\$ 10,042,032	\$ 18,733,482	\$ 5,309,323	\$ 81,180	\$ 51,129,085	7.28%	\$ 2,870
2017	15,588,513	-	-	9,382,689	17,660,393	4,924,178	44,009	47,599,782	6.44%	2,632
2018	14,225,946	-	-	8,663,316	16,684,924	4,528,455	-	44,102,641	5.59%	2,396
2019	12,845,122	-	-	8,173,959	15,905,487	4,176,528	-	41,101,096	4.98%	2,207
2020	11,610,800	-	-	7,791,073	15,108,671	3,832,022	-	38,342,566	4.37%	2,032
2021	10,254,192	-	-	7,164,655	14,284,477	3,436,682	-	35,140,006	3.67%	1,752
2022	8,969,055	313,053	-	6,561,614	13,480,760	3,060,452	-	32,384,934	3.08%	1,557
2023	7,721,918	201,539	112,696	5,945,573	12,642,043	2,665,222	-	29,288,991	2.50%	1,383
2024	6,422,781	83,306	71,741	5,321,532	11,913,326	2,260,992	-	26,073,678	2.19%	1,225
2025	5,071,644	82,998	716,805	4,690,491	11,299,609	1,937,762	-	23,799,309	1.83%	1,103

Notes:

- (1) Includes bond premiums
- (2) Implementation of GASB 87, *Leases*, beginning in FY 2022
- (3) Implementation of GASB 96, *Subscription-Based IT Arrangements (SBITA)*, beginning in FY 2023
- (4) See Table 13 for population

Source: Finance Department, Town of Culpeper, Virginia

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	General Bonded Debt Outstanding General Obligation Bond	Percentage of Actual Taxable Value of Property	General Obligation Debt Per Capita (1)
2016	\$ 51,047,905	2.76%	\$ 2,865
2017	47,555,773	2.52%	2,630
2018	44,102,641	2.18%	2,396
2019	41,101,096	2.01%	2,207
2020	38,342,566	1.73%	2,032
2021	35,140,006	1.56%	1,752
2022	32,071,881	1.27%	1,542
2023	28,974,756	1.11%	1,368
2024	25,918,631	0.82%	1,217
2025	22,999,506	0.71%	1,066

Notes:

(1) See Table 13 for population

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 11

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assessed value of real estate	\$ 1,675,039,198	\$ 1,699,330,119	\$ 1,830,517,673	\$ 1,840,263,977	\$ 2,000,848,181	\$ 2,026,126,965	\$ 2,280,654,814	\$ 2,291,635,251	\$ 2,868,111,936	\$ 2,917,902,435
Debt limit (10% of assessed value)	\$ 167,503,920	\$ 169,933,012	\$ 183,051,767	\$ 184,026,398	\$ 200,084,818	\$ 202,612,697	\$ 228,065,481	\$ 229,163,525	\$ 286,811,194	\$ 291,790,244
Less: Debt applicable to limit										
General obligation bonds	51,047,905	47,555,773	44,102,641	41,101,096	38,342,566	35,140,006	32,071,881	28,974,756	25,918,631	22,999,506
Capital leases	81,180	44,009	-	-	-	-	-	-	-	-
Leases - GASB 87	-	-	-	-	-	-	313,053	201,539	83,306	82,998
Subscriptions - GASB 96	-	-	-	-	-	-	-	112,696	71,741	716,805
Total	51,129,085	47,599,782	44,102,641	41,101,096	38,342,566	35,140,006	32,384,934	29,288,991	26,073,678	23,799,309
Legal debt margin	\$ 116,374,835	\$ 122,333,230	\$ 138,949,126	\$ 142,925,302	\$ 161,742,252	\$ 167,472,691	\$ 195,680,547	\$ 199,874,534	\$ 260,737,516	\$ 267,990,935
Total debt applicable to the limit as a percentage of debt limit	30.5%	28.0%	24.1%	22.3%	19.2%	17.3%	14.2%	12.8%	9.1%	8.2%
Total debt applicable to the limit as a percentage of assessed value	3.1%	2.8%	2.4%	2.2%	1.9%	1.7%	1.4%	1.3%	0.9%	0.8%
Debt applicable to limit:										
Allocated to General Fund	\$ 16,963,068	\$ 15,588,513	\$ 14,225,946	\$ 12,845,122	\$ 11,610,800	\$ 10,254,192	\$ 9,282,108	\$ 8,036,153	\$ 6,577,828	\$ 5,871,447
Allocated to Enterprise Funds	34,166,017	32,011,269	29,876,695	28,255,974	26,731,766	24,885,814	23,102,826	21,252,838	19,495,850	17,927,862
Total	\$ 51,129,085	\$ 47,599,782	\$ 44,102,641	\$ 41,101,096	\$ 38,342,566	\$ 35,140,006	\$ 32,384,934	\$ 29,288,991	\$ 26,073,678	\$ 23,799,309

Source: Finance Department, Town of Culpeper, Virginia

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Operating Revenue	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service ⁽²⁾		Coverage
				Principal	Interest	
2016	\$ 20,144,959	\$ 15,740,931	\$ 4,404,028	\$ 1,853,158	\$ 1,222,552	1.43
2017	19,650,537	16,697,265	2,953,272	2,033,903	867,744	1.02
2018	20,530,203	16,141,044	4,389,159	1,985,229	1,102,319	1.42
2019	21,356,576	16,394,418	4,962,158	1,471,964	959,118	2.04
2020 (3)	21,243,810	17,815,759	3,428,051	10,602,452	860,406	0.30
2021	20,808,231	17,723,865	3,084,366	1,697,195	650,312	1.31
2022	22,074,795	19,241,023	2,833,772	1,669,000	702,688	1.19
2023	24,261,133	22,205,776	2,055,357	1,736,000	643,387	0.86
2024	25,677,554	23,630,339	2,047,215	1,643,000	585,043	0.92
2025	26,636,316	24,350,309	2,286,007	1,454,000	534,101	1.15

All reported Town debt issues are General Obligation bonds. This Table data is provided to show the portion of debt service allocated to Enterprise Funds, and what the Revenue Coverage would be in the event the related debt had been issued as Enterprise Fund Revenue Bonds.

Notes:

- (1) Operating expenses do not include depreciation, interest, or amortization expenses.
- (2) Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.
- (3) Fiscal Year 2020 principal payments includes \$9,227,000 related to a refunding series.

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)**

Fiscal Year June 30,	Population	Cumulative Town Personal Income	Per Capita Personal Income	Median Household Income	Median Age	School Enrollment	Unemployment Rate
2016	17,815	\$ 702,196,040	\$ 39,416	\$ 66,964	39.0	3,775	3.70%
2017	18,083	738,690,550	40,850	67,232	39.4	3,776	3.60%
2018	18,409	789,543,601	42,889	67,682	39.2	3,929	3.00%
2019	18,619	825,491,984	44,336	69,318	39.2	4,065	2.30%
2020	18,873	877,783,230	46,510	72,111	39.3	4,147	6.00%
2021	20,062	956,736,718	47,689	79,739	39.4	4,236	3.70%
2022	20,798	1,050,486,182	50,509	80,151	39.8	4,456	2.70%
2023	21,184	1,172,237,824	55,336	82,220	39.0	5,105	2.80%
2024	21,293	1,191,598,866	55,962	94,287	39.5	5,426	3.00%
2025	21,575	1,297,283,175	60,129	90,465	39.3	5,471	3.40%

Sources: Virginia Employment Commission
 Weldon Cooper Center for Public Service
 Financial Reserve Bank of St. Louis Economic Research
 United States Census Bureau
 World Population Review

TOWN OF CULPEPER, VIRGINIA

Table 14

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)**

Employer	2025			2016		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Culpeper County School Board ⁽¹⁾	1000+	1	4.3%	1000+	1	11.9%
Novant Health UVA Culpeper Medical	500-999	2	2.9%	750	2	8.9%
Culpeper County Government ⁽¹⁾	250-499	3	2.0%	750	2	8.9%
Wal-Mart Stores	250-499	3	2.0%	375	4	4.5%
Rappahannock Rapidian Community Services ⁽¹⁾	250-499	3	2.0%	375	4	4.5%
S.W.I.F.T., Inc.	200-349	6	1.3%	175	7	2.1%
Masco Builder Cabinet Group	200-349	6	1.3%	175	7	2.1%
Virginia Baptist Homes ⁽²⁾	200-349	6	1.3%	-	-	-
Cintas Corporation	200-349	6	1.3%	175	7	2.1%
Town of Culpeper	150-299	7	0.8%	180	6	2.1%
Virginia Department of Transportation ⁽¹⁾	-	-	-	175	7	2.1%
			19.2%			49.2%
Total County Employment	27,427			15,133		

Notes:

(1) Also has locations in the County

(2) Located in County, just outside of Town limits

Source: 2016 Planning Department, Town of Culpeper
County of Culpeper, 2016 Annual Comprehensive Financial Report
2025 Virginia Employment Commission, Economic Information & Analytics, QCEW
Bureau of Labor Statistics

TOWN OF CULPEPER, VIRGINIA

Table 15

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION / PROGRAMS
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government administration										
Management services (includes Council = 4.5)	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Finance and Human Resources	16	17	18	18	16	16	16	16	16	16.525
Planning	5	5	6	5	6	7	7	7	8	9
Building maintenance	4	5	5	4	6	6	6	6	6	6
Tourism and Visitors Center	3.5	4	4	4.5	4.5	4.5	5.125	5.125	5.5	5.5
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	7	6	6	7	4.5	5	7.525	7.525	7.525	7.525
Town Clerk	3	2	2.5	3	3	3	3	3	3	3
Public safety:										
Officers	40	42	43	46	46	46	46	46	48	49
Civilians	11	10	9	9	8	9	9	9	9	9
Public works:										
Refuse collection	5	4	4	4	4	4	4	4	5	4
Streets	17	18	17	18	16	16	16	16	16	17
Traffic engineering and motor pool	4	4	4	4	4	4	6	6	6	6
Parks and recreation										
Park	5	5	5	5	4	4	4	4	4	4
Cemetery	2	2	2	3	-	-	1	1	1	1
Water and wastewater operations	33	34	35	37	36	37	37	37	36	36
Electric operations	16	17	17	17	16	16	16	16	16	16
Total	179.00	182.50	185.00	192.00	181.50	185.00	191.15	191.15	194.53	197.05

Source: Human Resources Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 16

**OPERATING INDICATORS BY FUNCTION / PROGRAMS
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety:										
Traffic violations	2,013	3,110	2,482	2,765	1,716	1,538	1,994	2,095	2,039	2,159
Parking violations	1,838	1,496	1,636	2,262	963	779	1,387	1,131	881	1,920
Arrests	1,266	1,167	1,205	1,151	1,107	1,049	1,292	1,473	1,255	1,623
Total crimes	1,742	1,681	1,801	1,587	1,542	1,465	1,954	2,310	3,098	2,768
Public works										
Street paving - crack sealant in pounds	-	-	129	-	-	-	-	-	-	-
Street paving - milling in sq. yds.	-	30,388	5,678	57,835	42,489	43,438	44,972	26,291	12,263	13,449
Street paving - bituminous concrete in tons	-	4,503	2,482	9,392	5,865	4,681	5,324	3,359	1,424	1,247
Recycling - cardboard in pounds	59,240	49,367	-	-	-	-	-	-	-	-
Water operations										
Number of service connections	7,093	7,103	7,352	7,504	7,588	7,676	7,742	7,798	7,951	8,218
Average daily water produced in gallons	2,011,007	2,060,000	2,080,000	2,000,000	2,024,658	2,109,589	2,041,041	2,018,877	2,259,616	2,313,644
Maximum daily capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Maximum daily capacity of wells in gallons	918,000	918,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	2,420,000	1,360,000
Wastewater operations										
Number of service connections	6,823	6,849	7,024	7,178	7,256	7,315	7,349	7,412	7,530	7,709
Average daily flow in gallons	3,160,000	2,900,000	2,900,000	3,810,000	3,057,534	3,558,904	2,900,000	2,700,000	2,800,000	3,100,000
Maximum daily capacity of plant in gallons	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Electric operations										
Number of service connections	5,357	5,408	5,481	5,606	5,694	5,780	5,831	5,832	5,886	6,261
Average monthly consumption in kilowatt hrs	1,540	1,597	1,569	1,541	1,502	1,466	1,529	1,494	1,503	1,494
Highest system peak demand in megawatts	27.58	27.58	26.20	27.20	27.84	27.41	27.84	28.18	29.29	29.26

Source: Internal data from various departments, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 17

**CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	36	36	37	46	46	56	57	61	63	64
Public works:										
Streets (miles)	66	67	68	68	70	71	76	78	78	80
Street and yard lights	1,054	1,054	1,172	1,175	1,105	1,115	1,168	1,168	1,168	1,188
Traffic signals	19	19	17	17	17	17	17	18	18	18
Water operations:										
Miles of water main	104.0	104.7	106.0	106.0	107.0	107.3	108.4	108.4	108.4	113.4
Number of fire hydrants	725	734	750	750	761	763	769	769	769	837
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	3	3	6	6	6	6	6	6	6	7
Wastewater operations:										
Miles of sanitary sewer	96.8	97.6	98.0	98.0	99.0	99.3	100.3	100.3	100.3	103.6
Miles of storm sewer	30.5	32.0	32.2	32.2	33.3	33.7	34.5	34.5	34.5	34.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	11	11	12	11	11	11	11	11	11	11
Electric operations:										
Miles of overhead lines	27.7	27.9	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Miles of underground lines	44.5	46.7	134.3	136.4	137.8	139.7	140.8	152.5	153.4	154.6
Number of sub-stations (115kV)	1	1	1	1	1	1	1	1	1	1
Number of delivery points (34.5kV)	1	1	1	1	1	1	1	1	1	1

Source: Internal data from various departments, Town of Culpeper, Virginia

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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 Town Council
Town of Culpeper, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, the remaining fund information, and the budgetary comparison of the General Fund information of the Town of Culpeper, Virginia (the Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 18, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 18, 2025